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JOURNAL OF AMERICAN INSURANCE

Headache for Insurers: Today's Automobile • • • A Look at the Future of British Fire Insurance • • • Alien Fire and Casualty Insurance in the United States in 1946 • • • Workers Who Have Too Many Accidents • • • What the Young Insurance Man Should Know • • • Some Notes upon the Recent Experience in Aircraft Insurance Underwriting • • • Insurance News Digest for July

VOL. 24 • NO. 8
AUGUST, 1947

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CARL N. JACOBS

Chairman Insurance Committee

CHAMBER OF COMMERCE OF THE UNITED STATES

RECENTLY named chairman of the insurance committee of the Chamber of Commerce of the United States of America is Carl N. Jacobs, president of the Hardware Mutual Casualty Company and of the Hardware Dealers Mutual Fire Insurance Company, both of Stevens Point, Wisconsin. The new chairman is serving his seventh year as a member of the Chamber's board of directors, and his third year as a member of its executive committee.

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CHICAGO

LOUIS C. WILLIAMS

NEXT MONTH

September traditionally marks the beginning of a new year of insurance activity, and with the many pressing problems which the business faces the new year promises more activity than ever before. We hope to take a look at some of these problems next month.

—:—

A. V. GRUHN, Editor and Manager
L. A. FITZGERALD, Managing Editor
H. F. SWANSON, Business Manager

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INSURERS RANK AS FACTOR IN BRITAIN'S ECONOMIC SITUATION

IN the United States' highly competitive metropolitan newspaper publishing business the front page is a jealously-guarded show window in which the successful editor tries to make certain that he is displaying each day's most attractive news merchandise. So when Great Britain's economic situation holds its page one position day after day, as it seems to have been doing of late, there can be little question that this is a subject in which the man in the street definitely is becoming interested.

Accurate appraisal of the reasons for this widespread interest is not easy. One explanation is that probably Americans unconsciously recognize in the traditional British economic system a mechanism that seems to parallel our own more than do those of most other countries, and that any indication it is in danger of breaking down gives rise to the uneasy feeling that this may be a preview of our own future economic difficulties.

Keeping a wary eye on British economic developments is not the new activity for many business leaders that it is for the average individual. It did not take the contention that the Hatry episode in England touched off the 1929 stock market crash in the United States to make farsighted observers aware of the fact that changes in the British economic picture can serve as harbingers of shifts in business activity in the United States.

For several years now close students of insurance have been watching British developments in this field, not only because of the worldwide scope of the operations of British insurance companies, but because the present Labor government in Great Britain has launched extensive experiments in the taking over of certain fields of insurance by the state. Five years ago the Beveridge Report set up a comprehensive blueprint for the inclusion of several previously private insurance fields within the scope of a broad governmental program of social insurance. The laws which will make operative many of the suggestions contained in this blueprint have now been enacted, and await only the setting of an effective date.

How private insurance carriers promise to fare under an economy in which such lines as workmen's compensation insurance, for instance, are taken over by government is a subject of much interest to insurance leaders in the United States. Our own Congress has before it suggested legislation which would set up a compulsory plan of health insurance, a plan many believe would be the entering wedge of a much broader plan of governmental insurance. The Federal government already is engaged in a number of operations similar to insurance.

Upon another page of this issue will be found a description of what a leading British fire insurance executive sees as the future of British fire insurance, an article which will bear reading by every thoughtful insurance man. The executive quoted infers that British insurance carriers are resigned to losing those lines which the government intends to write, but expresses concern lest physical properties taken over by government in the nationalizing of other sections of the economy will cease to seek coverage in the private insurance market.

Considerable light was thrown upon the attitude of the British Labor government toward insurance just a short time ago, in a statement made at a dinner of the Norwich Union Insurance Societies in London by Sir Stafford Cripps, president of the Board of Trade, a position corresponding roughly to the post of Secretary of Commerce in our government. He said:

"There can be no doubt that the (British) insurance business is now a very important factor in world trade, and in its effect upon the balance of payments. The total premium income of British insurance companies is some £350,000,000 a year, and of that about half represents overseas business of all kinds. At a time when we are seriously concerned to make both ends meet in our balance of payments accounts, and when we have to consider cutting unnecessary imports by a million or two here and there, and increasing the export of badly needed goods to the discomfort of our own people, it is obviously of the greatest importance that we should do our utmost to stimulate all forms of invisible exports, of which insurance is a most important item.

"This large and valuable invisible export of brains and business integrity is a very high tribute by the world at large to the standards and principles upon which British insurance is conducted. Our reputation for general integrity and for fair dealing on the basis of the utmost good faith has induced millions of people all over the world to appreciate the value and security of British insurance. It was because of this aspect of our international insurance business that the government—at a time when there was the greatest pressure on Parliamentary business — introduced what has now become the Assurance Companies Act, 1946. When I was introducing that bill to the House of Commons I made some general observations on British insurance, one of which I will now repeat:

" 'The government have no intention of interfering with the transaction of insurance business by private enterprise save to the limited extent to which insurance at home may be affected by the existing proposals relating to personal social insurance and industrial injuries. It is the desire of the government that insurance should be in the future as in the past dealt with on an international basis and as business of an international character.' "

"There has been since the war what was, I think, an inevitable tendency toward the nationalization of insurance in a number of countries and this, of course, is bound to have an effect upon our overseas insurance business. We cannot object to any such internal readjustment of economic matters by other countries, but we have done our best to protect the legitimate interest of British companies in any such readjustment."

"We have at the Board of Trade a strong consultative committee consisting of representatives of the insurance interests and of various government departments, which is prepared and available at short notice to deal with any of these difficult problems that arise.

"As in the case of any exports, this restriction of particular markets should cause us to push out all the more vigorously into those markets to which access is still free and unfettered, choosing, of course, for our maximum efforts the hard currency countries. British insurance houses have served the people of this country well in the field of invisible exports, and in these difficult days for our balance of payments we know that we can rely on them and upon their high and well-deserved international reputation to maintain the flow of this most valuable form of invisible exports.

"Turning for a moment to the domestic situation, we have recently received representations from the insurance interests as to insurance by those industries or services which are being brought into national as against private ownership. A full reply to these representations will be sent very shortly, which will point out that these National Boards are very largely autonomous, and that it will be for them to decide their policy as to insurance. But it certainly does not follow automatically from nationalization that the nationalized industry or service should not insure in the ordinary market. This is a business matter for consideration as in the case of any large private undertaking, which may or may not decide to insure itself, or how far it is prepared to carry its own risks.

"One thing I would make quite clear in this respect is that it is no part of the government's policy that nationalized industries should not insure in the ordinary market. The government have every confidence in British insurance, and if the National Boards were to decide so to insure we should feel that they had acquired a complete security in their risks because of the high opinion we hold of British insurance."

• • •

INLAND MARINE LOSSES

THE consolidation of the 1946 inland marine underwriting experience of mutual and stock insurance companies — compiled by the Inland Marine Insurance Bureau with the cooperation of the Transportation Insurance Rating Bureau, and just released—seems certain to have far-reaching effects upon the rating and underwriting of this class of insurance business.

Ever since inland marine insurance began to achieve prominence after World War I the inland marine underwriter has been looked at more or less askance by underwriters in the longer-established fields. Inland marine rates supposedly were based upon individual insurance company experience and upon the judgment of the underwriter, and when the inland marine underwriter was not being accused of pulling his rates out of a hat he was being regarded as at best one-half gambler and one-half fortune teller. Only within the last ten years has there been any uniformity in inland marine rates, even in such lines as the personal property floater where millions of similar risks could be compared.

The new experience report is based upon $175,462,97 in 1946 premiums written, which covers 92.67% of the year's inland marine writings. It divides premiums written and losses paid into thirty-one principal coverage classifications, and these in turn are subdivided. Some of the coverages appear to have produced high underwriting gains for the insurance companies while other classes appear to have been losing money so rapidly that the reasons why any insurance company should continue to write them is cause for wonderment. Because of this underwriters and rating authorities alike may be tempted to make snap judgments upon the basis of the report, unless there is careful and expert analysis of the entire situation. This publication has not attempted to make an offhand analysis of the report's significance, but hopes to do so in the next issue.

One thing that must be realized is that many inland marine coverages expose insurance companies to heavy catastrophe losses. The collapse of the Tacoma Narrows bridge a few years ago cost inland marine insurers millions of dollars; this was the first time in history that a modern suspension bridge had been destroyed. During the past year the collision and burning of two gasoline trucks caused the collapse of a smaller bridge—an event which has caused inland marine underwriters to wonder what would happen should a large quantity of gasoline become ignited upon so heavily-insured a structure as the San Francisco-Oakland bridge.

Fur storage in well-protected fire-resistive buildings always had been considered an excellent risk until the recent New Haven Cold Storage fire, which cost inland marine insurers more than $5,000,000.

Such catastrophe losses may not occur in any one coverage group more

often than once in ten or twenty years, yet they must be accounted for in any proper system of inland marine rates. One of the principal questions to be considered is how much of such a catastrophe loss can be charged to a particular class or group, and how much of it should be spread over inland marine insurance as a whole.

Another pitfall for the off-the-cuff analyst results from the tremendous increase in inland marine premium writings during the past few years. Inland marine premiums written have increased about 30% each year, which makes loss ratios appear much more favorable upon a "premiums written and losses paid" basis than upon the proper "premiums earned and losses incurred" basis.

Still another factor which cannot be evaluated accurately until the experience statistics for several years become available is the trend of losses. Individual figures which have been gathered for several years by some of those cooperating in the consolidated report indicate a sharply rising trend in the personal property floater loss ratio. If this is borne out by the experience of all inland marine insurers over a period of several years, it becomes obvious that some drastic change in rate structure or in coverage must be made.

It can be said frankly that the consolidated report of inland marine underwriting experience for 1946 is the longest step which has been taken in many years toward stabilization of inland marine insurance ratemaking. But it is merely the first step, and its findings can be taken only as guideposts. There are a great many hills and turns in the road which must be explored before a clear pattern can be expected to emerge for the mapping of inland marine insurance rate changes upon an experience basis.

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WAGE-EARNER DEATHS

EXCEPT for baseball box scores and stock market quotations, the statistical reports achieving widest readership in this country doubtless are those detailing why people die, which are compiled from time to time under the direction of Dr. Louis I. Dublin for release by the Metropolitan Life Insurance Company.

The latest and one of the most interesting of these to appear is "The Occupational Mortality Experience of Insured Wage Earners", by Dr. Dublin and his associate Robert J. Vane, just published in the Monthly Labor Review of the United States Department of Labor Bureau of Labor Statistics. Upon the basis of the figures derived from the huge number of the Metropolitan's industrial policyholders, it traces the changes in the pattern of deaths among what might be called "working men" in the United States during the period 1911-1939, a period which may be regarded as statistically significant because it cuts off the era of abnormal conditions incidental to the war years. Similar studies were made some years ago for 1911-1913 and for 1922-1924.

Among the conclusions reached in this latest study are:

The vitality of American wage-earners increased progressively during the period 1911-1939; the death rate among them declined sharply, and their expectation of life was lengthened measureably.

Diseases which three decades ago took a heavy toll among workers in the prime of life have, in many instances, been brought under control. The fall in the death rate from tuberculosis is an outstanding example, as are the large reductions in death rates from pneumonia and accidents.

Industrial policyholders, nevertheless, continue to have a higher mortality and shorter longevity than other workers, which suggests that the effects of specific occupations, as well as social and economic factors, are of importance.

The death rate for wage-earners as represented by the industrial policyholders studied declined during the period 1911-1939 more rapidly than the death rate for other employed individuals, and the gap between the two groups gradually is closing.

The death rate of wage-earners (industrial policyholders) declined 35.8% in the period 1912-1938, the decrease having been largest in the 25-34 age group, where it was 69.3%. The decline was less than 35.8% in the age groups above fifty-five years of age, a natural result of the increased longevity of workers. Using the insured white male wage-earner twenty years of age as the standard, his life expectancy increased nine years in the period under study, and has increased three and one-half years since 1923.

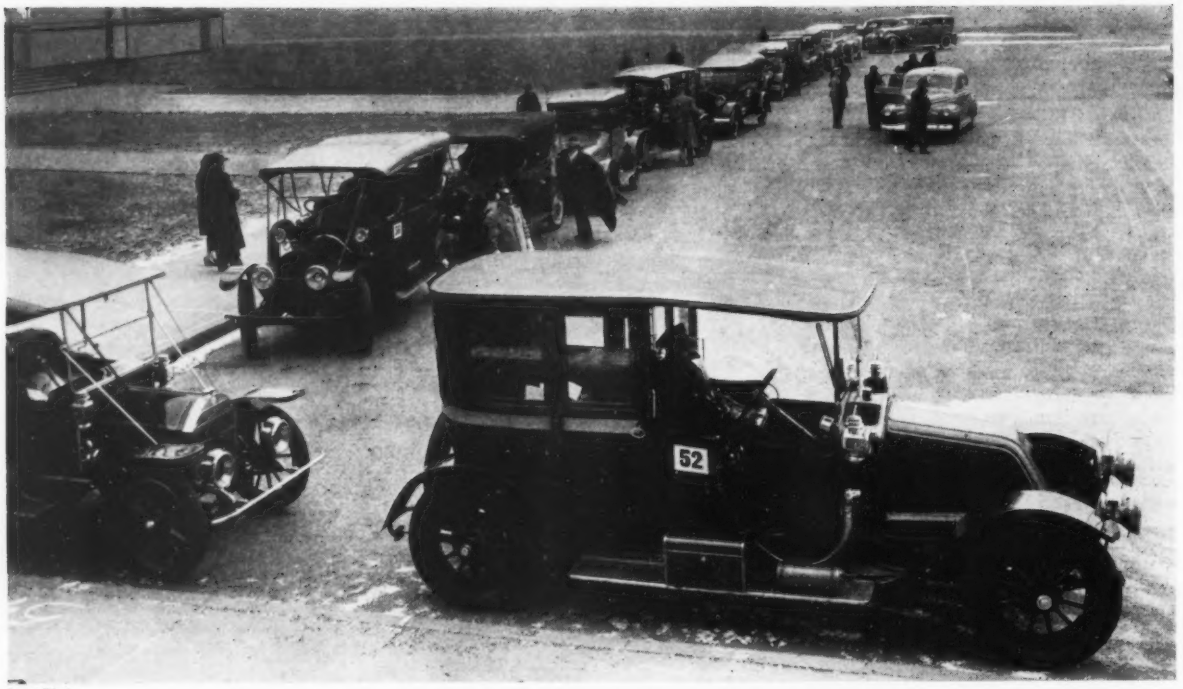
In 1938 the causes of death showing the highest rates per 100,000 insured industrial workers were: organic diseases of the heart 214.1; cancer 128.9; and accidental or unspecified violence 94.6. These were followed in order by chronic nephritis, tuberculosis of the respiratory system, and influenza and pneumonia combined, each with rates of about 65 per 100,000.

By way of contrast tuberculosis of the respiratory system was the leading cause of death in 1912, with a rate of 319.9 per 100,000. In that year organic heart disease was second with 203.9; chronic nephritis third with 164.9; and accidental or unspecified violence fourth with 140.6. Cancer was seventh as a cause of death in 1912, and second in 1938. During the period deaths by homicide decreased 45.1%, and suicides decreased 30.2%. Automobile accident deaths were eight times as frequent in 1938 as in 1912.

Except in the 15-24 age group the death rate of male industrial policyholders exceeded that of female industrial policyholders. The death rate for white male industrial policyholders also was higher than for the general white male population, except in the 15-24 group, and in the group over sixty-five years of age. The report held that this finding reflects in some measure the effects of industrial exposure — policyholders start their industrial careers in at least as good physical condition as other males, but soon the effect of conditions imposed by employment in industry and other factors become evident, so that from about the age of twenty-five years on the industrial policyholders have a progressively higher mortality.

For a number of occupations the percentage of deaths from certain causes greatly exceeded the average, thus strongly indicating the effects of occupational exposure. Warranting attention was the high proportionate mortality from tuberculosis and pneumonia among iron and steel foundry operatives; from cancer among brick and stone masons; from cerebral hemorrhage, apoplexy, and paralysis among cotton mill operatives; and from accidents among electric light and power linemen, structural iron workers and painters, building wreckers, and lumbermen and loggers.

Accidents were responsible for about 10% of deaths of occupied white male industrial policyholders in 1937-1939, about the same percentage as in 1922-1924. Nearly one-fourth of these deaths resulted from work injuries. Highest accidental death percentage was among electric light and power linemen. They were followed by: structural iron painters, bridge painters, building wreckers, lumbermen and loggers, structural iron workers, quarrymen and bituminous coal miners, with a very high percentage of accidental deaths resulting from work accidents. Saw and planing mill operators had the highest industrial accidental death index, but machine injuries caused only one-fourth of the deaths. Sedentary occupations were near the bottom of the list.



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When automobiles like the handsome vehicles pictured above were considered the last word in individual transportation it was possible for insurance underwriters to sleep more soundly at night than is the case at present. Slower speeds meant less serious accidents; damaged parts could be repaired without replacing an entire unit of the automobile. Fire was an early hazard, and later theft became an important factor in insurance losses.

HEADACHE FOR INSURERS:

By Paul H. Williams

CURRENT discussions of problems in the field of automobile insurance—both fire and casualty—invariably involve someone's interjecting such questions as:

"Will the rate increases cure the trouble?"

"Will a campaign to reduce accidents cure the trouble?"

"Will new cars cure the trouble?"

The only possible answers to these, and to the numerous other questions raised along these lines, would seem to be: "Perhaps they will, and perhaps they will not." But one's optimism about any specific cure is tempered by a glance into history. The more one looks at the past of the automobile insurance business, the more strongly does he get the impression that there has always been the question of: "Will (you fill it in) cure the trouble?" Not many years ago it was hoped—at least by organization carriers — that rate reductions would be the cure. Then it was the standardization of policy provisions. At other times the answer was a general carrying of collision insurance, and the like.

The reader may have begun to suspect at this point that the thesis here is being advanced that there is no permanent "cure" for the problems of the automobile insurance business. That is correct.

On the other hand there is no intent here to regard the business as nothing but a headache. For years automobile insurance has been the really large source of casualty insurance company premiums, and has constituted a substantial portion of the business written by fire insurance companies. In all probability it will continue so. The annual automobile insurance premium is the largest outlay for insurance, other than life, of the average person—considerably more, in most cases, than his expenditure for fire, burglary, or personal liability insurance. To many a producer automobile insurance is his primary means of livelihood, and it is at least substantial in the case of practically every agent and solicitor.

The automobile insurance business has solved many serious and seemingly insurmountable problems in the past. There is no reason why it should not, and will not, continue to do so in the future. The purpose of this article is to comment upon a few major reasons why automobile insurance—at least in the foreseeable future—seems likely to continue subject to constantly recurring periods of stress and unsettlement, and why no "cure" is likely to be anything but temporary.

Among the important factors which seem destined to keep automobile insurance in a more or less constant state of flux and excitement—in contrast to fire and other major lines—the following seem most prominent:

1. Most other insurance lines base their charges on *rates*; most automobile coverages are quoted in *premiums*.

2. As a concomitant of the above, there is no protection such as the coinsurance provisions of other policies.

3. The basic conditions affecting automobile insurance—types of cars, traffic

conditions, driving habits, repair costs, fashions in crime, law enforcement, etc. —are subject to rapid and often unpredictable change.

4. The average insured is highly conscious of his automobile insurance, and is more sensitive and critical of the premium than is the case with other lines.

5. By the same token insurance supervisory authorities, being responsive to public sentiment, may be counted upon to scrutinize automobile rates and practices closely and to tend, even unconsciously, to press every close question in favor of the insured.

6. As a new factor the number of people carrying automobile insurance seems in for a permanent increase, which will tend to make every critical situation that much more serious.

What about this matter of rates vs. premiums?

Even veteran insurance men speak of "rates" so freely in discussing insurance charges that often it is difficult to recall the difference between "rates" and "premiums". It is a safe bet that 90% of the stories in the insurance press during the past few years have referred to "automobile rates". But in most cases the items referred to were not "rates"; they were "premiums".

In any elementary course in insurance one of the first lessons concerns definitions of insurance terms. The students learn quickly that: *Premium* is the consideration paid by the insured; *Rate* is the factor which, multiplied by the amount of insurance or by some other designated figure, determines the premium. Within a week after the examination this distinction promptly has been forgotten by the students. Most of the time this is unimportant. But occasionally, and usually when a rather fundamental issue is under consideration, it becomes very important.

Fire insurance quotations always are in rates—so much per $100 of insurance. But automobile bodily injury liability, property damage liability, and collision quotations are always premiums. The figure quoted is the charge for that coverage, and it is not multiplied by any variable. It may be changed for higher limits of liability, or different collision deductibles, but it always is quoted as a premium—not as a rate.

At one time fire, theft, and comprehensive quotations were in rates per $100 of insurance. But the popularity of the actual cash value form, which takes a flat premium, has turned many of these quotations into premiums.

What difference does this make, in the last analysis? Just this—it is much more difficult to adjust premiums to fluctuations in values than it is to adjust rates. And it means also that premiums must be changed more often than rates as conditions change—with the consequent multiplication of troubles with insurance regulatory authorities, producers, and the public. Finally it means that, in fire insurance for instance, the insured may pay a much higher or a much lower premium, reflecting his risk, on the same property, without any change in rate. This is not true in most forms of automobile insurance.

Take as an illustration the current sharp increase in all costs. As the value of his property goes up the prudent insured should increase the amount of fire insurance on it. If he is careful, or if his insurance man nags him enough, he will do so, and thus be protected properly. When this happens his premium will go up in accordance with the greater risk of the insurance company. But his rate will not change. No one need file anything with a state insurance department, and no one calls the fire insurance companies robbers for collecting the higher premium.

Thus if the "burning ratio" does not go up a fire insurance company, in theory, need not worry about increased values of property. Greater values at the same rates yield more premiums, so everything should be the same. In practice this is not exactly true, as there always is a substantial proportion of property insured without coinsurance, and fire insurance companies do suffer increased loss ratios through higher cost of partial losses. But most big risks are written on a coinsurance basis, which protects insurance companies against increases in values unaccompanied by compensating increases in premium. And the important point is that the insured can increase his insurance without feeling that the price has been raised, and without wondering whether he is being treated fairly.

In automobile insurance the situation is reversed. A bodily injury liability premium of say $30, and a property damage liability premium of say $14, are promulgated for an automobile on the basis of experience for a certain period. Assume that this fairly reflects the exposure when it is approved, that

THE AUTOMOBILE

The modern automobile, as typified by the streamlined example coming off the assembly line below, is responsible for one of insurance's greatest current problems. Its speed and the manner in which it is driven makes for more serious accidents than those of the past; its construction makes repair or replacement of damaged parts increasingly expensive.

Acme Photo

the accident ratio stays about the same, but that repair costs, medical and hospital bills go up, and that settlements and jury awards follow this trend.

What happens then? The automobile insurance company has to pay these inflated losses out of the premiums based upon factors at a lower level. (In the present situation automobile accidents also have gone up sharply, due to a number of causes—increased use, poor mechanical condition, etc. — but the wartime rates probably would have been inadequate simply because of inflated values, even if accidents had not increased.)

To bring its charges into line with inflated conditions the automobile insurance business must increase its premiums—not simply its "rates", as most reports state. To raise these premiums takes time. The insurance companies are lucky if conditions have not changed again by the time the higher premiums are in force, and experience has had a chance to show itself.

And getting an increase of this type means consultation, filing, and often opposition and adverse publicity. Because of the possibility of the last insurance companies stave off asking for an increase as long as possible, and dare not ask for more than the minimum. The same thing is equally true, of course, in connection with fire, theft, and comprehensive coverages on an actual value basis.

In short any change in incidence of loss, or in general values and costs, forces changes in insurance lines where the cost is quoted as a premium—which means automobile insurance. On the other hand where the cost is quoted as a rate—as in fire insurance—a change theoretically is necessitated only when the incidence of loss changes.

The situation is equally troublesome when values drop. The quoted premiums then become larger than needed to pay losses. One of two things then may happen. Competing carriers may start quoting lower premiums and take away a big slice of business before the competition can be met, to the detriment of the morale of the insurance company and its producers. Or insurance regulatory authorities may demand decreases—and someone will break into the legislature or the public press with not always accurate statistics seeking to prove that the automobile insurance companies are milking the voters. Sometimes both things happen almost simultaneously.

This can happen in fire insurance, but the flexibility of rates as compared with premiums makes it less probable, and cushions the shock when it does happen. Rates are not a cure-all—as workmen's compensation insurance demonstrates—but they are superior to flat premiums in this respect.

It is not being suggested that some system of rates could be or should be substituted for the present method of quoting automobile insurance premiums. The writer does not know if the devising of any such system is feasible. Nor does any coinsurance arrangement seem practical at the moment. The explanation is offered as a reason why no adjustments in automobile nsurance premiums can be expected to produce permanent — or even long-lasting— "stable conditions".

• • •

THAT the conditions surrounding automobile insurance are subject to speedier and more violent changes than those involving other insurance lines is obvious to anyone who has observed the American automobile picture during the past ten or twenty years. One need not be an insurance man to realize it.

Not too long ago the stealing of automobiles was a major business in practically every sizeable community in this country. Some cities were better or worse than others but, by and large, the theft portion of the automobile insurance contract was the problem child; John Citizen gave more thought to that than to any other feature of his protection. The major competition among automobile insurers was on theft coverage; much competitive capital was made of such matters as valued forms, how much depreciation would be claimed, time within which a theft loss would be paid, and coverage of stripping and other partial theft losses. When experience went particularly sour in any locality or when theft premiums went sky-high there were numberless experiments with limited forms, such as excluding theft of equipment, spare tires, and the like, or applying a deductible to these losses. More than one adjuster was subject to rumors about his connections with the local police or the underworld.

Suddenly—or so it seems in retrospect—the theft situation cleared up. A combination of title registration laws, better police action, and the lifting of the depression—which enabled people to get employment other than as automobile thieves—turned theft experience way down. Before long insurance men and insureds were paying relatively little attention to it. Automobile theft has not disappeared, and probably never will, but it no longer is the big issue in automobile insurance.

Automobile fire insurance also had its days as an attention-getter, it should be remembered, but that had faded out before theft insurance became the problem. Manufacturers learned to make their product amazingly fireproof, and soon the day of special credits for carrying a fire extinguisher, certain types of wiring, etc., was over. But for the sake of the record it is well to recall that automobile fire coverage once was a major insurance problem.

It is interesting to speculate upon what might have happened to the automobile coverages written by fire insurance companies, had not comprehensive coverage been introduced about the time theft insurance ceased to be troublesome. With fire and theft far down on the list of hazards, and with collision insurance little carried, it is not impossible that automobile coverages written by fire insurance companies might have become relatively unimportant. Of course finance companies never would have ceased requiring protection. But the advent of comprehensive insurance, plus the insistence on collision insurance by finance interests, undoubtedly kept the fire insurance side of the business from losing much of its importance during the 1930's.

Hoisted back into prominence by finance company requirements, collision insurance has held the spotlight on the fire insurance side ever since. For a period of perhaps ten years it had been relatively unimportant, with the public reconciled to relatively high premiums, and the average motorist deciding he could make the down payment on a new car for what a couple of years of collision premiums would total. Then the original full coverage and deductible forms were offered but little sold. Experiments were made with various participating forms, and even with discounts for warranties that approved bumpers would be kept on the car.

For many years students of automobile insurance nursed the belief that collision insurance premiums could be lowered, and a profit made, if the coverage were carried generally. Apparently they reasoned that adverse selection was strong in the limited number of collision insureds during the late 1920's and early 1930's. The action of finance

companies, plus the determined sales efforts of several organizations with new types of coverage, certainly brought about the desired spread of business. Today collision insurance probably is the No. 1 problem.

It cannot be proved, of course, that the position outlined was unsound fundamentally. Certainly the present sour condition in the automobile collision insurance field can be explained by many obvious factors—old automobiles in poor condition, inflated repair costs, deteriorated roads and signals, fancy prices and trick construction of new cars, etc. It is true that experience was favorable for a few years after the carrying of collision insurance had come to be general. During the war gasoline restrictions and ceiling prices kept losses down until premiums were reduced sharply (again note "rates" vs. "premiums"). But the loss ratio rose gradually during the late war years, and shot out of sight once all the postwar factors came into play.

There seems little doubt that the construction of automobiles since about 1940 has aggravated collision losses, particularly those that used to be minor ones. The suggestion has been made seriously that automobile insurance interests should deal with automobile manufacturers on this subject, just as fire insurance engineers consult with architects and builders on the fire hazards of building construction. The idea certainly has merit, regardless of whether the manufacturers would consider insurance factors as having any weight as compared with the sales value of streamlined hoods, chrome finish, trick doors, and the like.

The 1930's also saw in collision insurance experiments which got away from the principle of a fairly high deductible. Instead of trying to induce insureds to carry the risk of smaller losses themselves, and to insure against large losses only, some insurance carriers offered several participating forms which were intended specifically to pay small losses. The 80-20 form was the most popular; under it the insurance company paid 80% of every loss, up to a maximum deductible of usually $50. The argument was that people like to collect small losses from insurance companies, and that paying a small loss is a cheap way to cement business. At present the 80-20 form is in high disfavor, and seldom is written. Whether the idea itself is unsound, or whether the form simply was a victim of the same squeeze which made all forms of collision insurance a problem, is a subject for honest difference of opinion. It might be noted in passing that the same argument was applied to the full coverage personal property floater in the 1930's, and that present experience is forcing insurers to stress deductibles also in connection with that contract.

The retention collision form never was generally popular, except in a few localities. It was almost the exact reverse of the 80-20 contract, charging a relatively low premium if the insured reported no claim, and usually doubling the premium if any claim were made.

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THE major experiments in automobile liability insurance—aside from the all-important development of medical payments coverage—also were along the lines of lower charges for no accidents. The "merit rating plan" of organization stock insurance companies of the early 1930's was a particularly ghastly failure, primarily because its enforcement became a joke. The idea of a 10% reduction for an insured who had had no accidents during a certain period seemed sound. But largely because of competition it turned into a general 10% reduction. The "safe driver reward plan" of the later 1930's was at least enforceable. The insured was given a 10% refund at the expiration of his insurance policy if he had had no claims under it. Since the insurance company had the records, there could be no cheating.

While no official dissatisfaction with the "safe driver reward plan" ever was made public, it was dropped—ostensibly as an emergency war measure — and there are no signs of its being revived now. Possibly the statisticians have concluded that desirable drivers should be discovered by reasonably good underwriting, and that the experience of the average desirable insured is too dependent on outside conditions to justify individual premium treatment.

More nearly successful among automobile liability insurance experiments were those which set up use of the automobile as the basis for rating. Nowadays one make of private passenger automobile is about as good a risk as another, this school of thought concluded, and the important factors are territory, use of automobile, mileage and age of drivers. The prewar classifications on these bases seemed successful enough to be revived after gasoline rationing died, and there seems no disposition to abandon them. Most carriers which did not use these classifications have been forced to adopt them in self-defense against competition.

Of the other factors listed on previous pages little need be said in detail. Certainly no one will deny that—while a house lasts a long time and municipal fire departments and water supplies change slowly, making fire insurance conditions relatively stable — all the factors which influence automobile insurance are subject to quick and violent change.

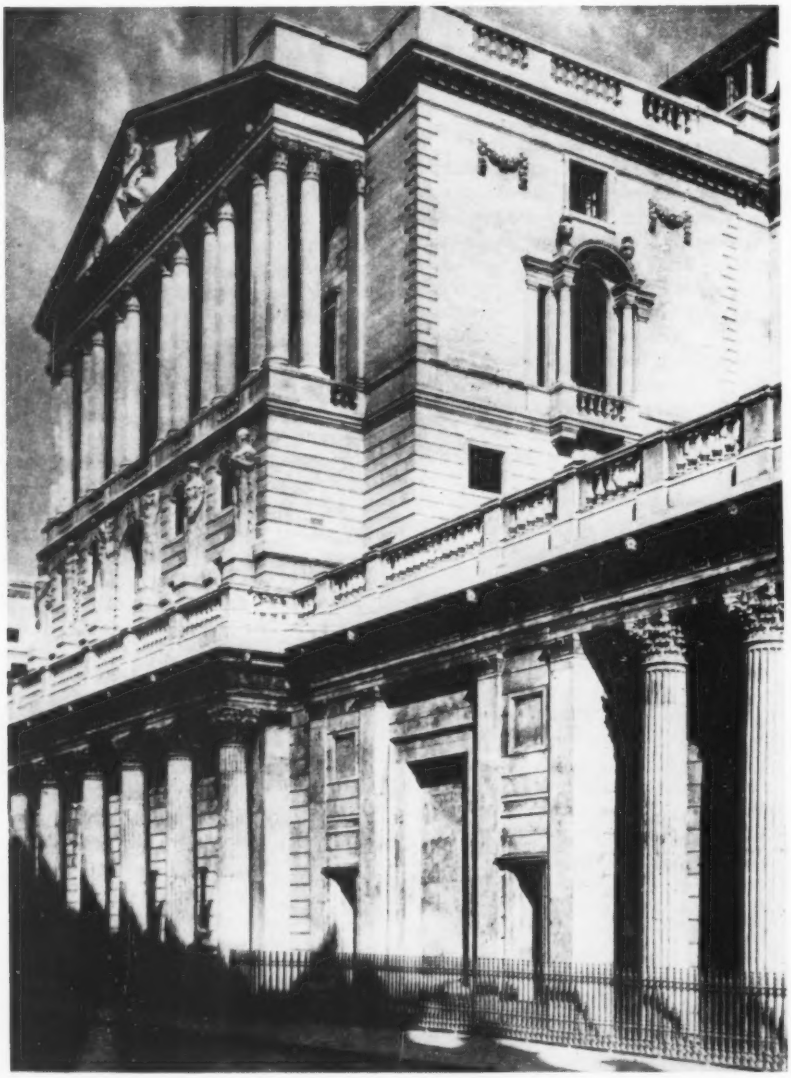
And John Citizen certainly shows more interest in his automobile insurance than in his fire insurance. Perhaps the reason is that he pays his automobile insurance premiums himself and selects his own insurer (except for material damage on financed cars), whereas he leaves fire insurance pretty much up to his mortgage holder. Perhaps the reason is that he really does not think his house will burn, while he is very conscious of automobile hazards. But there is no doubt that—unless he has had a recent fire or windstorm loss — he is much more ready to talk and argue about his automobile insurance than about his other fire and casualty insurance protection.

Come what may in the way of economic developments, there seems no reasonable doubt that the number of automobile insureds has been increased permanently. Financial responsibility laws alone in large measure have taken care of that. Whether this will be good or bad remains to be seen. Certainly the present status of collision insurance does not offer a strong argument for the thesis that a greater spread of business will improve experience and reduce premiums.

But whether the automobile insurance business likes it or not it will have to serve a greater number of insureds, and it will have to meet their demands on a relatively thin margin of underwriting gain. If it does not, it seems probable that government will. That is the clear lesson of the present situation.

There is no reason to believe that the automobile insurance business cannot meet this requirement. If these lines have done nothing else, they may have served to call attention to the fact that the automobile insurance business has done a good job for many years in meeting one "crucial situation" after another. "Crises" will continue and there is no reason to expect a permanent "cure" for the automobile insurance business's troubles. But its record is such that it should inspire those now engaged in it with complete confidence that the situations of the future will be faced and solved.

A LOOK AT THE FUTURE OF BRITISH FIRE INSURANCE



With Great Britain's present Labor government beginning to take over some fields of insurance, considerable interest should attach to the excerpts here printed. They are from an analysis presented recently to the Insurance Society of Bedford by H. G. Hurren, foreign fire manager Phoenix Assurance Company, as reported in the Post Magazine and Insurance Monitor of London. Shown in the Acme photo above is the Bank of England—traditional symbol of British financial strength—which was one of the earliest of Britain's important economic institutions to be nationalized when the Labor government came to power.

REGARDING the field of operation a question of some moment is whether British fire insurance will successfully maintain its international status by way of direct operations in most countries of the world, and by reinsurance operations elsewhere. For our purpose direct operations means the underwriting activities of agents, branches, and fully-owned indigenous subsidiary companies. Reinsurance operations means mainly the obtaining of business by reinsurance treaties from companies of other nationalities, most of which are independent but a few of which may be partly owned by British fire insurance enterprises.

To understand the problem the attempt must be made to secure a breakdown of the premium derived by British fire insurance from the companies' main areas of operations (no figures being obtainable in respect of Lloyd's). There are only limited statistics available, and to some extent intelligent guess work is necessary.

The total fire premium income of British companies as recorded in their published accounts is now in the region of £90,000,000. This figure is after deduction of all reinsurance premiums paid away, but includes all reinsurance premiums received. It is a net figure. Of this aggregate net figure of £90,000,000, practically one-half is derived from the United States of America by those British companies operating there through branches, general agents, and fully-owned indigenous subsidiary companies. (Incidentally it is also known that Lloyd's underwriters derive an important volume of fire premiums from this area.) Now the United States is not only a great field for fire insurance operations but a country which, despite its already tremendous economic and industrial expansion, still presents vast undeveloped economic potentialities. Its own highly-developed insurance industry operates in remarkable harmony with the British fire insurance groups. Insurance legislation is non-discriminatory; cooperation between the insurance industry and the various state authorities in the regulation of insurance is well-established. Over all this the words "free enterprise" are written, and there is hardly anything to indicate that the climate of opinion in the United States in that regard is undergoing any change.

Here then is a field which, although not without its problems and difficulties and yielding its profits only in response to much hard work and skilled management, seems to offer assured opportunity for a continuance of the operations of British fire insurance as at present or-

ganized—and with a prospect of expanding income, with all that this means to Great Britain in these days when the national need of dollar exchange is so pronounced.

Next in importance to the United States as a field of operations comes the United Kingdom. As a very rough guess a figure of between £15,000,000 and £20,000,000 may be taken as representing the net direct fire premiums appearing in companies' accounts and derived from this country. The outlook is not so clear as in the United States, but if the barometer does not read "set fair" neither does it read "stormy". Uncertainty arises from two factors—first, the way in which the relationships in this country's new "mixed economy" will work out in practice, and particularly in the final delineation of the field of state monopolies and that of free enterprise; and secondly the fact that Great Britain cannot look forward to any spectacular economic or industrial expansion.

While there is every ground for expectation that fire insurance will remain in the field marked out for free enterprise, what as yet is not known is how far the state monopolies will carry fire insurance in the normal market. To fire insurance men there is every reason why they should do so, for any action which tends to reduce the stock of insured risks or to restrict the area over which the risk equalization function of fire insurance operates, is contrary to the fundamental principle of the business. This principle has grown in importance with the passage of time. It is only necessary to recall the growth in recent years of what in America are called "jumbo risks", where immense values are exposed to loss or destruction by one fire, to realize how the classical principle of fire insurance—that the greatest possible spread of risks must be achieved—has acquired new emphasis.

If the argument is advanced that the public interest is opposed to the interest of fire insurers in this matter the answer is that—unless the state monopolies make provision in their annual accounts for possible fire losses—they will be acting contrary to normal commercial and industrial prudence. To that extent any independently-made judgment as to their efficiency and cost of operation would be falsified.

The idea of the self-insurance fund may seem attractive but the arguments against this are many and powerful. While in the case of normal government property—which, except for ordnance factories and stores, has in the past been largely of a non-hazardous nature—these arguments have been over-ruled, it is a matter of grave doubt whether a self-insurance fund can be regarded as being adequate provision when all kinds of hazardous risks are being brought under state ownership. There is, moreover the far from negligible point that the highly-developed fire prevention and claims services offered by the fire insurance industry would be lost to the state undertakings. At present the final answer to the question—to insure or not to insure—has not been given.

Keeping all these things in mind, it is safe to conclude that the wartime buoyancy of fire premium income in the United Kingdom may only be maintained with difficulty.

Still taking territories in the order of their importance to the aggregate premium income of British companies, Canada is probably next on the list. About 6% of the total net fire premiums of all companies is derived from Canada by the British companies established there. Conditions are very similar to those in the United States; expectations of a continuing belief in Canada in the virtues of free enterprise, and of a steady expansion of Canadian commerce and industry, are not likely to be belied. Against this, competition from United States and Canadian offices has been severe. If British fire insurance, which is admired for its tradition and its soundness in the Dominion, is to hold its own it must develop the style and celerity of service which its competitors afford.

In regard to Australia figures are difficult to obtain, but it is probable that this country contributes as much to the net fire premium income of British companies as Canada does. The Australian companies have not reached, as an industry, the size and strength of the Canadian companies, nor is there powerful competition from companies of other nationality. British fire insurance, therefore, hold a special position. Economically the situation is not unlike that in the United Kingdom with a mixed economy, with fire insurance remaining within the field of private enterprise (subject only to the existence of certain state offices) but affected by the attitude of the government in regard to fire insurance on the state-owned properties. On the other hand, there is likely to be a greater proportionate economic expansion in the Dominion than in the United Kingdom.

Still studying the various countries from the standpoint of their estimated contribution to the net fire premium income of British companies as a result of direct operations, it will be convenient to divide them into three classes: first, those where the direct net income is of the order of £500,000; second, those where although it is less than £500,000 it exceeds £100,000; and third, those where it is less than £100,000.

In the first group we can place India, South Africa, Argentine, Brazil, and—we may hope in the near future when the set-back experienced during the war has been recovered—France, and possibly Holland. In the second group there are New Zealand, Egypt, Portugal, Sweden, Denmark, Spain, Cuba, and—once the effects of war have been overcome—Belgium and the Philippines. In the third group are Chile, Columbia, Ecuador, Uruguay, Puerto Rico, Malaya, Norway, the British Colonies, Siam, Iraq, Palestine, Greece, Italy, and Finland. There are, in addition, a large number of minor areas such as Panama, Syria, Iceland, and the Faroe Islands, from which "many a mickle makes a muckle."

To be set against this impressive list are the countries from which no direct income is derived. These embrace the U. S. S. R., including the Baltic states, Mexico, Poland, Czechoslovakia, Bulgaria, Yugoslavia, Peru and Costa Rica. In some states the legislative requirements are prohibitive; in others there is a nationalized or pseudo-nationalized insurance industry.

China, Japan, and the Dutch East Indies call for a special reference. Before the commencement of the upheavals of the Far East these were most important fields. But resumption of direct operations by British fire insurance is handicapped by political, economic, and financial conditions.

The outlook for direct operations in some of the areas enumerated is overcast. The rise of national sentiment, the growth of an indigenous fire insurance industry, and the effect of severe insurance enterprise legislation are adverse features. In India the transition to self-government is bound to be accompanied by increased public support of Indian enterprises; the number of Indian insurance companies, already large, will doubtless increase. In certain other areas the number of British insurance companies operating seems likely to be frozen at its present figure, and new companies may find it difficult to secure a license to enter the country.

Allowing for all this, however—and even for the trend in certain countries toward state enterprise which may extend, even if only partially, into the in-

surance field—there is much to encourage the belief that British fire insurance companies will be able to continue their direct operations in most of the countries where they are at present working. As the economic strength of Great Britain is slowly restored so new trade and commercial agreements with other powers will have to be negotiated. And the importance to the British economy of British fire insurance trading in other lands will no doubt enter into the government's consideration of these matters.

An important section of net fire income for the British companies has still to be mentioned. It is known as treaty business, or inwards reinsurance, or indirect business. This is drawn from every country where an indigenous fire insurance industry is established. It comes not only from those countries where direct operations by British companies are not possible—such as Poland and Czechoslovakia, Mexico and Peru—but also from those countries where they have been established for many years.

It is the subject of skilled negotiation between the respective head offices, and in many cases a reinsurance broker plays an important part as the intermediary. The negotiations — while taking into account such matters as the results of the business traded, the commission terms required, the conditions of the treaty or contract to be entered into by both companies—also often pay regard to a reciprocal exchange of reinsurances. What the British companies have to trade is their surplus lines derived from their world-wide operations, with the one exception of the United States, where special regulations governing reinsurance make it necessary to exclude the business from the so-called world-wide treaties. In exchange for these customarily profitable surpluses the British companies, while sharing to some degree in each other's treaties, mainly receive surpluses from indigenous companies relating to a more limited territorial scope.

It is safe to predict that this section of our premium income will grow in importance as, notwithstanding the loss experience and strength of certain specifically reinsurance markets established on the Continent, the reputation of British fire insurance in this respect has grown steadily in recent years. One point, however, should be made. Having in mind the reciprocal bas s of reinsurance transactions any depletion of the direct income of British companies —by, for instance, a decision on the part of publicly-owned undertakings not to insure in the normal market—would have a retardant effect upon reinsurance development.

To sum up it can fairly be claimed that, while changes will occur, the field of activity of British fire insurance both in direct and reinsurance operations will remain virtually world-wide, and that in the aggregate there will be an expansion in the total premiums written.

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THE second vista along which we may look into the future concerns the structure and organization of British fire insurance. On this point there can be little doubt that the modern emphasis upon fire insurance being conducted as part of a composite operations program will become more pronounced. In this country and in most others we are so familiar with the idea of one company engaging in both fire and accident business—and possibly also in life and marine—that most people are surprised when it is pointed out to them that this is not the case in the United States. There fire and related perils must be insured in one company, and the various casualty or accident l nes in another.

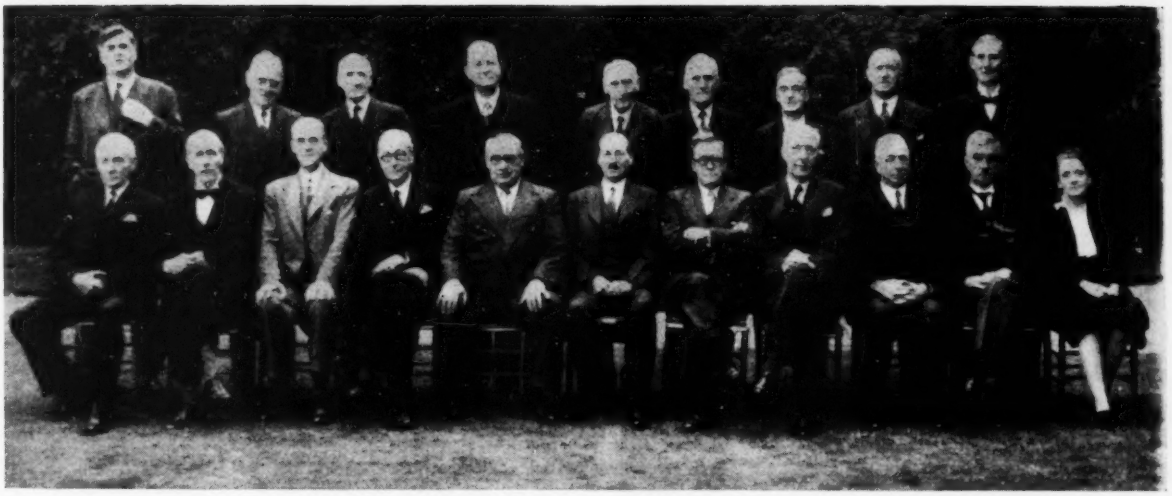
A practical solution to this division of function has hitherto been found along the lines of group operations with fire and casualty "running mates" each transacting their own class of business, but being represented by the same agents and operating side by side in the same branch organizations. There have been many signs, however, that the United States organizations are not altogether satisfied with this state of affairs and that—close though the links may be between a fire and a casualty company in the States with interlocking shareholdings and joint management and representation—obstacles do remain to the full development of operations on a composite basis such as those which obtain in Great Britain. Only in the States does this situation exist. It would not be surprising, therefore, if over the years the United States adapts its insurance legislation and the structure of its insurance industry to the ideal of a single company being able to engage in fully composite operations, with the possible exception of life insurance.

Elsewhere abroad the trend on the part of the great British offices has been toward composite operations in areas which were pioneered as fire insurance fields. And unless the legislative restraints are insuperable, and even though underwriting problems in the accident field may be more difficult to solve than in the fire, the splendid isolation of the fire departments in many overseas fields is bound to give place to joint fire and accident operations. This is sure to call for adaptations in the head office organization of those companies, designed to insure that the composite approach to insurance overseas is fully explored. Exactly what solution will be found it would be unwise to predict, but it is certain that it will be a severely practical one.

It also seems most probable that—whereas in the past British fire insurance overseas has relied to a large extent upon a general agent or an agency firm to conduct its business — the overseas branch will grow in importance; the resident inspector or secretary, as skilled assistant to the agents in a specified region, will also have a job to do. The increasing technical complexity of the business, the fact that composite operations are likely to become the rule, and the skilled underwriting that will be necessary if profits are to be secured will all call for adequately-trained staffs thoroughly drilled in the policy of the company and prepared to give it lifelong service. The amateur in the fire insurance field, although he has given noble service in the past, will be at a great disadvantage.

In some quarters the view is held that British companies would be well-advised to develop overseas on the basis of what is known as "flag company operations". The United States offices, in entering a foreign field, have adopted this system. A number of offices are formed into a group. One company in the group secures registration in a particular country and, with the full acceptance facilities of all the other companies in the group at its disposal, does all the underwriting in its own name. The total business is subsequently pooled and divided between the various members of the group. This device spreads the burden of deposit requirements, and it is true that in one or two countries where the available income is small or suitable representatives are few in number, some British offices have followed it. But it may be doubted whether, on balance, it should be regarded as anything better than a pis aller.

There are cogent reasons against British companies deciding to adopt this method of operation as a considered policy unless legislative conditions became so onerous that they had no alternative. Their individual names are household words in most parts of the globe. Many of them have established close and intimate relationships not only with their representatives abroad, but with their individual insureds. They have an in-



A broad plan of social insurance constituted an important part of the program of the Labor government which took office in Great Britain in 1945. Above is an early Acme photo of Britain's Labor cabinet, taken at 10 Downing Street, London. Front row (left to right): Rt. Hon. Viscount Addison, secretary of state for dominions; Lord Jowitt, lord chancellor; Sir Stafford Cripps, K. C., president Board of Trade; Rt. Hon. Arthur Greenwood, lord privy seal; Rt. Hon. Ernest Bevin, secretary of state for foreign affairs; Rt. Hon. C. R. Attlee, prime minister; Rt. Hon. Herbert Morrison, lord president of the council; Rt. Hon. Hugh Dalton, chancellor of the exchequer; Rt. Hon. A. V. Alexander, first lord of the admiralty; Rt. Hon. J. Chuter Ede, secretary of state for the home department; and Rt. Hon. Ellen Wilkinson, minister of education. Back row (left to right): Rt. Hon. Aneurin Bevan, minister of health; Rt. Hon G. A. Isaacs, minister of labor and national service; Viscount Stansgate, secretary of state for air; Rt. Hon. G. H. Hall, secretary of state for the colonies; Rt. Hon. Pethick-Lawrence, secretary of state for India and Burma; Rt. Hon. J. J. Lawson, secretary of state for war; Rt. Hon. J. Westwood, secretary of state for Scotland; Rt. Hon. Emanuel Shinwell, minister of fuel and power; and Rt. Hon. Tom Williams, minister of agriculture and fisheries.

dividual personality which would be lost when hidden under the anonymity of operation required by a "flag company" basis. These arguments are not so theoretical as might on the surface appear. They apply not only abroad but at home, and the company with which a man insures means much more to him than sometimes we are disposed to allow.

The operation of indigenous subsidiary companies as part of the structure of British fire insurance demands some thought. In some countries, and notably in those occupied by the Germans, some companies of this nature proved of the greatest value; having a national character and organization they could continue operations, and were able to take over their parent companies' direct portfolios. Elsewhere they undoubtedly have an appeal to national sentiment, but it must be admitted that if they are to be fully effective in this respect too much should not be made of their British ties. In one or two countries, in fact, legislation exists or has been contemplated designed to weaken these ties.

The formation of such a company normally involves investment of British funds abroad. It is satisfactory to record that so far, even under war difficulties, when it has been possible to satisfy our authorities that such a course is justified, permission for such investment has been granted. The difficulties of our present national situation in paying our way abroad are for some time to come likely to make it necessary that any remittance to a foreign country not required for the purposes of current trade will have to be closely studied by those responsible for the country's foreign exchange. Nevertheless it will be surprising if, over the next few years, the structure of British fire insurance throughout the world is not strengthened by the addition of new indigenous subsidiary companies. Some of these will no doubt be wholly owned by their British parents and their figures will, therefore, be brought into the world-wide figures of those parents. In others the British companies will have partial shareholding only, but there no doubt will be an exchange of business between the parent company and the subsidiary company through reinsurance channels.

It must be remembered that while many countries in recent years have been at work developing their insurance industry, and while they have had much assistance from British fire insurance in doing so, the view still is widely held that the skill and aptitude—the knowledge and experience necessary for the successful conduct of fire insurance—reside in a remarkable measure in this country. This is an asset of which the fullest use must be made. In brief, I do not foresee any revolutionary changes over the next twenty-five years in the structure or organization of British fire insurance as we know it today, but rather a fuller development of the features which already have become apparent.

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OUR third vista is that of the methods of British fire insurance. In the cover we give, in our methods of giving it, of fixing rates, of imposing conditions, and of effecting reinsurance, we shall in my view be exposed continually to at least two severe external pressures.

One will be a consistent demand for full protection not only against losses from fire but from other perils to which property is exposed, coupled with simplicity of contract, the elimination of vexatious conditions and clauses, and the lowest possible cost. The other will be a demand for economy of administration and expenses, while staff shortages are likely to persist and will require the elimination of any unnecessary refinements of method and service. These two pressures can be summed up as representing a demand for "streamlined cover" and "streamlined service".

The growing popularity in the United States of what is known as the "extended coverage endorsement", which is roughly the equivalent of the home comprehensive policy . . . an increasing

demand from countries where formerly straight fire insurance with perhaps the addition of only one or two special perils, such as earthquake or riot and civil commotion, was required, for comprehensive policies as near as possible to the home model . . . and elsewhere a sustained interest in special perils policies are all an indication of the mood of the insured. This also is reflected in the awakening interest in loss of profits insurance in many countries where formerly no attention was paid to it. The English form of loss of profits policy, however, is of great complexity to the normal run of insureds abroad, and some hard thinking will have to be done if insureds are to be given the kind of cover they are being educated to want without being frightened by its technicalities. It must always be remembered that the more successful we are in bringing home the need for insurance, the more likely are insureds to demand that the protection offered shall be adequate to their needs.

A warning note must be sounded in regard to the so-called catastrophe perils which—in the guise of political upheaval, of earthquakes, or violent windstorms —harass many countries. It is only fair to say that so far it has not been possible to produce any adequate insurance answer to this problem. In regard to war and related perils the War Risks Agreement still stands, and companies and underwriters are precluded from giving cover against them. The appalling destruction in Germany, the severe damage in our own country, and the horrible potentialities of atomic weapons all underline the wisdom of this agreement. With regard to earthquake and windstorm, however—owing to the gap of time between one disaster and another—there is a disposition to minimize possible catastrophe loss. And while fire insurers do not deny to important insureds overseas earthquake and windstorm protection, it is not possible to grant this cover without considerable restrictions on the volume of acceptances.

The scope of our present exclusions against explosion losses and the extent and nature of the cover that can be specially arranged in this respect will call for consideration if the hopes that are entertained of harnessing atomic energy to domestic and industrial uses are fulfilled. The question may not press at the moment but it is clear that it cannot be indefinitely ignored.

On the question of the way in which our cover is given it may be asked whether there is any special virtue in the annual contract for the general run of what are known abroad as simple risks. The long-term policy with annual payment of premium — and in some areas a long-term policy for three or five years, with prepayment of premium for the whole term and a substantial discount—have become well-established as a convenience to certain insureds, and a factor making for stability of cover. The long-term discount and the long-term policy may well increase in favor. Anything which reduces the amount of documentation necessary for a fire insurance transaction is to be welcomed; the cost of preparation of a policy and of renewal documents and of the consequent accountancy is no trifle in a business where the average premium on the small risk rarely runs up to £5.

Great interest also will attach to the way in which cover will be given if those sections of the economic field which are subjected to a state monopoly are to be given fire insurance protection in the normal market. The war established a certain precedent in connection with the fire insurance of government commodities, where the companies and underwriters were bound together in a pool known as the Associated Fire Insurers, and cover was given in the simplest form possible and at the lowest conceivable expense of operation. British fire insurance in this way not only was able to retain an important volume of premium necessary from the technical standpoint of risk equalization, but could bring to bear upon the risks involved the experience and knowledge it possessed in the matter of fire prevention, with great benefit to the country. This "pool" idea also was adopted in other countries for certain important commodities. This may well be a pointer to the way of handling fire and related insurances on publicly-owned undertakings; it has also tentatively been put forward as a means of handling the otherwise unplaceable risks.

Turning to methods of rating there can be no question that the great strides that have been made in the study and science of statistical control of all aspects of life, and in the development of mechanical appliances for this purpose, have opened up new possibilities for the centralized study of fire insurance losses in relation to the rates of premium by classes of risk. In many of the more advanced countries from a fire insurance standpoint new schemes have been or are being evolved for this purpose.

The objectives are essentially two—first to insure equitable rating as the fundamental method of equalizing the risk; second, to keep track of the trend of fire waste in each important section of a nation's industry and trade, so that research aimed at its control and reduction may be effectively directed. Here again the exclusion of any important volume of risks from the scope of the study, by reason of non-insurance, could only be regarded as a retrograde step.

On this question of rating it is appropriate to refer to special types of cover such as declaration policies which are, in effect, a device for insuring equitable rating. As the basic principles which should govern this form of cover are better understood and become more widely disseminated, so it may be expected to come into more general use outside this country than at present.

The ideal of the universal application of the pro-rata average clause as being fundamental to a sound rating system has not drawn perceptibly nearer of realization in recent years. In fact there have been signs that — especially for simple risks business — some countries overseas are departing from their traditional adherence to the average clause, and are searching out devices which will afford full indemnity for every loss whatever the relationship of sum insured to value. The absence of an average clause from our home comprehensive policy and its substitution by a declaration of full insurance, and the non-average nature of our dwelling policies, have not gone unnoticed in foreign insurance circles.

Reinsurance methods, I am certain, are bound to come under close and critical scrutiny. It is desirable that they should. The accident and life departments are inclined to wax satirical at our cumbersome fire department systems. There is no single solving word that can be uttered to simplify them. I am not among those who see in the excess of loss cover the answer to the problem. The surplus method of reinsurance is, I think, much the most suitable for fire departments. But it may well be that it is overdone.

A more optimistic approach to the question of net retentions . . . a wider resort to coinsurance on a collective policy basis . . . a great simplification of the work involved in facultative reinsurance, perhaps by all companies entering into a master reinsurance agreement to cover such reinsurances, and establishing a clearing-house for the accountancy and financial aspects of all reinsurance exchanges . . . each would help to lessen the burden of work both at home and abroad. Unfortunately the emergence overseas of government reinsurance institutions — as in Chile, Turkey, Brazil, and France—has not helped toward our desired goal, but rather the contrary.

ALIEN INSURANCE IN THE UNITED STATES

Despite economic turmoil in their homelands, alien and alien-controlled fire insurance and casualty insurance companies continue to do a greater volume of business in the United States than ever before in history, even though most of the profits must go to the Reconstruction Finance Corporation

WHEN this publication printed, more than a decade ago, a statistical study describing the extent to which alien and alien-controlled fire insurance and casualty insurance companies carry on operations in the United States considerable surprise was expressed by those not familiar with this aspect of the insurance picture.

At that time there were seventy such alien insurance carriers—with home offices in virtually every quarter of the globe—which had established branch offices in the United States; they were collecting more than $200,000,000 a year in insurance premiums, and were remitting to these foreign home offices some $15,000,000 a year in profits. Such alien organizations controlled, in addition, forty-seven United States fire insurance and casualty insurance corporations. These were collecting about $100,000,000 annually in insurance premiums, and were paying to their stockholders about $7,000,000 annually in dividends, the stockholders being principally the parent alien insurance companies.

In the years which since have passed there have been, of course, important changes in the world economy. War has come and gone; governments have risen and fallen; some feeling which once existed against alien insurers in the United States has been dissipated by the current need for the greatest possible amount of insurance capacity. But an analysis of the operations of alien insurance carriers in the United States at the present time indicates that there have not been a great many changes.

Some of the Japanese and Italian insurance companies no longer do business in this country, but as of the end of 1946 there still were sixty-four alien fire insurance and casualty insurance carriers operating in the United States. They collected $324,886,292 in premiums during 1946, of which $3,929,030 was earmarked for remittance to foreign home offices; these premium writings represented an increase of 26.3% over those of 1945. Such alien organizations controlled, in addition, fifty-five American fire insurance and casualty insurance corporations. In 1946 these alien-controlled carriers collected $200,540,250 in premiums, and had available for dividends to their stockholders $6,484,000; these premium writings represented a 27.4% increase over those of 1945.

Under present conditions, however, a very large percentage of the funds that would have been remitted in the past to alien insurance company home offices found its way into the coffers of the Reconstruction Finance Corporation.

This situation arose out of the agreement which the Reconstruction Finance Corporation made in July, 1941, to lend the British Government $425,000,000. As part of the collateral for this loan there was pledged the capital stock of forty United States insurance corporations owned by British capitalists, the dividends from which were to apply on the loan. Assigned also to apply on the loan were the earnings of the United States branches of forty-one British insurance companies. Since most of the alien and alien-controlled insurance companies now operating in the United States are British this has meant that little in profits from such insurance operations has gone abroad in recent years.

Several weeks ago the JOURNAL OF AMERICAN INSURANCE made some detailed inquiries of the Reconstruction Finance Corporation as to the status of this British loan.

Despite the agreement to lend Great Britain $425,000,000, only $390,000,000 actually had been disbursed as of July 1, 1947. Repayments on principal had been as of that date $195,517,446; interest payments had been $47,510,143; and there is being held in reserve $12,798,666. The balance of the principal of the loan is reported as $194,482,553.

Receipts by the Reconstruction Finance Corporation from insurance companies on the loan have been:

DIVIDENDS FROM BRITISH-OWNED SHARES OF UNITED STATES INSURANCE COMPANIES

1941	$ 2,509,000
1942	6,431,000
1943	6,445,000
1944	6,371,000
1945	7,084,000
1946	6,152,611
1947 (to July 1)	3,117,115
TOTAL	$38,109,726

INCOME FROM UNITED STATES BRANCHES OF BRITISH INSURANCE COMPANIES

1941	$ 5,432,000
1942	10,326,000
1943	11,976,000
1944	15,117,000
1945	10,805,000
1946	10,107,945
1947 (to July 1)	4,051,086
TOTAL	$67,815,031

The United States business of the alien and alien-controlled fire insurance and casualty insurance companies held

up well throughout the war years, despite the fact that a small number of such carriers were forced to cease doing business. Premium writings of such companies were $291,000,000 in 1939, and had increased by 1942 to $399,000,000, probably due in large part to the fact that they were writing a very considerable volume of ocean marine coverages. As previously noted they wrote $414,681,804 in 1945—a gain of 6.6% over 1944—to register the largest premium volume in history; this was increased 26.7% in 1946 to a new record high of $525,426,542.

The greatest gains were registered in 1946 by the alien branch fire insurance carriers, which had a 31.8% increase in volume of premiums written; the alien-controlled fire insurance carriers did almost as well with a 30.8% gain. The alien-controlled casualty insurance companies increased their volume of premiums written by 23.0% in 1946 over 1945, while the alien branch casualty insurance carriers showed a 18.8% increase.

The year was not profitable for the alien branch fire insurance carriers, however, and in the aggregate they received $389,580 more from their alien home offices than they had available for remittance to them. The alien branch casualty insurers showed a 27.3% drop in profits available for remittance to home offices. Dividends of alien-controlled fire insurance carriers dropped 2.0%, and dividends of alien-controlled casualty insurance carriers dropped 38.4%. These developments were pretty much in line with the unsatisfactory operating results experienced by a great many United States fire insurance and casualty insurance carriers during 1946.

PREMIUMS WRITTEN

	No.	1945	No.	1946
Alien Branch Fire Insurance Companies	54	$148,430,108	53	$195,605,883
Alien Branch Casualty Insurance Companies	11	108,863,329	11	129,280,409
Alien Controlled Fire Insurance Companies	45	89,133,279	44	116,557,272
Alien Controlled Casualty Insurance Companies	11	68,255,088	11	83,982,978
Total U. S. Premiums of Alien and Alien Controlled Fire Insurance and Casualty Insurance Companies		$414,681,804		$525,426,542

REMITTANCES TO ALIEN HOME OFFICES

	No.	1945	No.	1946
Alien Branch Fire Insurance Companies	54	$ 7,032,391	53	$ —389,580
Alien Branch Casualty Insurance Companies	11	5,938,789	11	4,318,610

DIVIDENDS TO STOCKHOLDERS

	No.	1945	No.	1946
Alien Controlled Fire Insurance Companies	45	$ 3,849,655	44	$ 3,774,000
Alien Controlled Casualty Insurance Companies	11	4,400,000	11	2,710,000
Total Remittances and Dividends of Alien and Alien Controlled Fire Insurance and Casualty Insurance Companies		$ 21,220,835		$ 10,413,030

ALIEN BRANCH FIRE INSURANCE COMPANIES—1946 BUSINESS

Company	Location of Home Office	Premiums Written	Surplus Plus Capital	Net Remittance to Home Office
Alliance Assurance Co., Ltd.	England	$ 2,008,721	$ 2,777,079	$ 233,569
Atlas Assurance Co., Ltd.	England	5,570,748	3,137,197	190,738
British American Assurance Co.	Canada	1,367,542	2,143,402	20,490
British & Foreign Marine Ins. Co., Ltd.	England	2,624,331	3,134,732	138,758
British General Ins. Co., Ltd.	England	685,862	739,095	45,158
Caledonian Insurance Co.	Scotland	3,459,489	1,322,271	—495,855
Canadian Fire Insurance Co.	Canada	506,074	648,486	—33,272
Canton Insurance Office, Ltd.	China	5,288	336,059	—57,179
Century Insurance Co., Ltd.	Scotland	2,625,181	3,049,506	119,804
Commercial Union Assur. Co., Ltd.	England	10,530,764	7,278,333	896,435
Eagle Star Insurance Co., Ltd.	England	984,595	2,254,644	478,967
French Union & Universal Ins. Co.	France	490,145	791,646	.....
Halifax Insurance Co.	Canada	1,145,048	1,531,394	90,000
Indemnity Marine Assur. Co., Ltd.	England	866,976	1,072,238	48,138
Law, Union & Rock Ins. Co., Ltd.	England	936,615	1,380,339	43,552
Liverpool & London & Globe Ins. Co., Ltd.	England	16,494,011	7,645,452	—18,813
London Assurance	England	6,824,915	4,982,771	371,710
London & Lancashire Ins. Co., Ltd.	England	4,333,923	3,092,348	105,262
London & Scottish Assurance Corp., Ltd.	England	516,310	1,128,012	5,550
Marine Insurance Co., Ltd.	England	3,103,979	4,370,188	637,064
Maritime Insurance Co., Ltd.	England	361,573	1,029,846	37,299
Netherlands Insurance Co., Ltd.	Holland	1,821,307	992,518	—500,627
New Zealand Ins. Co., Ltd.	New Zealand	2,407,524	1,323,570	34,111
North British & Mercantile Ins. Co., Ltd.	England	11,364,039	5,392,638	442,100
Northern Assurance Co., Ltd.	England	7,524,203	2,029,897	38,399
Norwich Union Fire Ins. Co., Ltd.	England	4,950,550	1,378,230	—325,167
Ocean Marine Ins. Co., Ltd.	England	472,921	947,834	35,906
Pacific Coast Fire Ins. Co.	Canada	656,295	1,178,568	8,840
Palatine Insurance Co., Ltd.	England	1,605,466	1,965,522	111,249
LaPaternelle Fire & General Ins. Co., Ltd.	France	113,476	590,196	.....
Pearl Assurance Co., Ltd.	England	4,772,037	7,743,176	348,014
Phoenix Assurance Co., Ltd.	England	5,253,208	2,258,291	—6,470

Reliance Marine Ins. Co., Ltd.	England	311,884	1,293,234	—295,558
Royal Exchange Assurance	England	4,323,213	2,166,338	182,909
Royal Insurance Co., Ltd.	England	17,529,458	10,300,578	204,588
Scottish Union & National Ins. Co.	Scotland	5,491,168	3,222,700	260,931
Sea Insurance Co., Ltd.	England	3,402,536	3,464,786	360,109
Skandia Insurance Co.	Sweden	3,318,955	1,608,994	—393,410
Skandinavia Ins. Co., Ltd.	Denmark	1,513,721	761,298	41,442
South British Ins. Co., Ltd.	New Zealand	299,096	1,087,533	48,544
Standard Marine Ins. Co., Ltd.	England	4,633,511	3,751,181	186,397
State Assurance Co., Ltd.	England	822,190	625,154	2,639
Sun Insurance Office, Ltd.	England	6,656,967	1,941,555	—229,227
Swiss Reinsurance Co.	Switzerland	21,923,526	6,421,069	—3,680,065
Switzerland General Ins. Co., Ltd.	Switzerland	2,265,403	1,580,388	—224,672
Thames & Mersey Marine Ins. Co., Ltd.	England	1,426,948	1,960,084	82,515
Union Assurance Society, Ltd.	England	1,605,466	1,185,976	85,411
Union Ins. Society of Canton, Ltd.	Australia	3,405,099	2,553,148	—55,641
Union Marine & Gen. Ins. Co., Ltd.	England	1,697,172	1,964,423	84,940
Union & Phoenix Espanol Ins. Co.	Spain	1,908,619	692,302	—159,509
Urbaine Fire Ins. Co.	France	625,232	1,077,952	229
Western Assurance Co.	Canada	2,814,667	3,103,472	27,890
Yorkshire Insurance Co., Ltd.	England	3,247,936	1,713,628	36,258
TOTALS—53 Alien Branch Fire Insurance Companies		$195,605,883	$132,121,271	$—389,580

ALIEN BRANCH CASUALTY INSURANCE COMPANIES—1946 BUSINESS

Company	*Location of Home Office*	*Premiums Written*	*Surplus Plus Capital*	*Net Remittance to Home Office*
Accident & Casualty Ins. Co.	Switzerland	$ 4,799,256	$ 2,500,000	$—658,927
Canadian Indemnity Co.	Canada	438,398	561,566	—1,567
Car & Genral Ins. Corp., Ltd.	England	3,918,138	1,347,857	52,038
Employrs Liab. Assurance Corp., Ltd.	England	34,967,379	15,881,080	1,750,089
European Gen. Reinsurance Co., Ltd.	England	12,811,247	10,907,284	189,476
Gen'l Accident, Fire & Life Assur. Corp., Ltd.	Scotland	27,246,101	23,320,504	1,144,537
Guarantee Co. of No. America	Canada	170,104	1,491,952	88,115
London Guarantee & Accident Co., Ltd.	England	11,150,221	7,056,012	600,000
Ocean Accident & Guarantee Corp., Ltd.	England	10,614,477	6,540,359	1,167,461
Provident Acc. & White Cross Ins. Co., Ltd.	England	53	549,152	20,039
Zurich Gen'l Accident & Liability Ins. Co.	Switzerland	23,165,035	19,931,900	—32,651
TOTALS—11 Alien Branch Casualty Insurance Companies		$129,280,409	$ 90,087,666	$4,318,610

ALIEN CONTROLLED FIRE INSURANCE COMPANIES—1946 BUSINESS

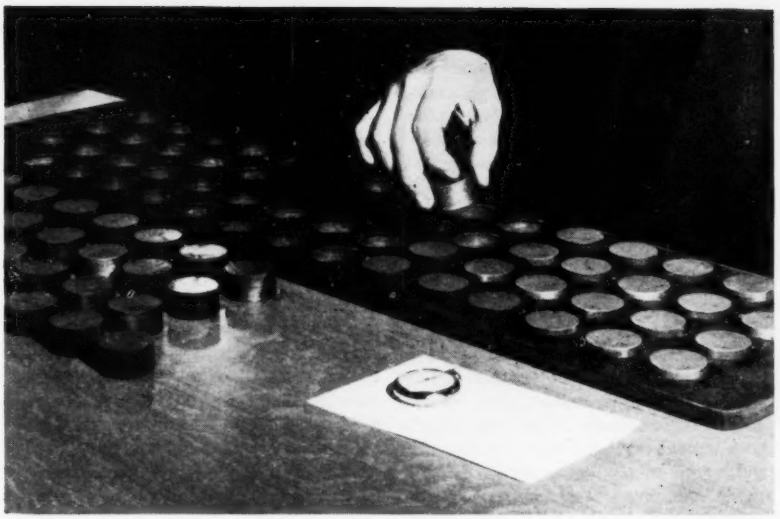
Company	*Location of Home Office*	*Alien Control Effected*	*Premiums Written*	*Surplus Plus Capital*	*Dividends Paid*
Albany Insurance Co. (Atlas Assurance Co., England)	New York	1922	$ 973,880	$ 2,616,533	$ 75,000
American Central Ins. Co. (Commercial Union, England)	New York	1916	4,750,903	3,908,566	175,000
American & Foreign Ins. Co. (British & Foreign Marine, Eng.)	New York	1897	3,342,666	5,837,593	225,000
American Union Insurance Co. (Scottish Union & Natl., Scotland)	New York	1923	583,402	3,242,442	100,000
Caledonian American Ins. Co. (Caledonian Ins., Scotland)	New York	1898	973,927	755,891	.....
California Ins. Co. (Commercial Union, England)	San Francisco	1913	2,889,463	2,929,863	100,000
Capital Fire Ins. Co. of Cal. (Royal Ins. Co., England)	Sacramento	1926	908,327	2,074,287	50,000
Central Union Ins. Co. (Scottish Union & Natl., Scotland)	Flemington, N. J.	1929	242,497	1,668,739	25,000
Christiana Genl. Ins. Corp. of N. Y. (Christiana Genl., Norway)	New York	1940	3,025,638	1,415,591	.....
Columbia Ins. Co. of N. Y. (Phoenix Assurance, England)	New York	1901	2,053,582	1,903,732	100,000
Commercial Union Fire Ins. Co (Commercial Union, England)	New York	1891	2,295,530	1,624,660	80,000
Commonwealth Ins. Co. (No. British & Mercantile, England)	New York	1907	3,392,701	5,493,429	200,000
Constitution Reinsurance Corp. of N. Y. (Baltica Ins. Co., Denmark)	New York	1940	1,549,008	1,053,595	.....
Detroit Natl. Fire Ins. Co. (Royal Insurance, England)	Detroit	1941	Reinsured	426,836	.....
Eagle Fire Co. of N. Y. (Norwich Union, England)	New York	1923	956,616	1,449,966	37,500
Eureka Security Fire & Marine (Pearl Assurance, England)	Cincinnati	1934	4,548,653	3,415,096	.....
Excess Reinsurance Co. of America (Guy Carpenter & Co.)	Philadelphia	1923	Reinsured	1,035,465	77,500
Federal Union Insurance Co. (Liverpool & London & Globe, England)	Chicago	1923	2,065,333	2,287,775	90,000

General Security Assur. Corp. of N. Y. (General Fire Assur. Co., France)	New York	1941	4,281,842	1,410,169	.....
Homeland Ins. Co. of America (No. British & Mercantile, England)	New York	1927	2,246,100	2,418,860	50,000
Hudson Insurance Co. (Skandia Insurance, Sweden)	New York	1918	898,897	947,919	.....
Imperial Insurance Co. (Phoenix Assurance, England)	New York	1899	2,622,272	2,278,313	100,000
Lion Fire Ins. Co. of N. Y. (Slavia Mutual Ins. Bank, Czech.)	New York	1928	5,786	283,320	.....
Manhattan Fire & Marine Ins. Co. (London Assurance, England)	New York	1924	2,040,321	1,971,775	50,000
Mercantile Ins. Co. of America (No. British & Mercantile, England)	New York	1897	3,615,879	4,889,365	200,000
Monarch Fire Ins. Co. (Pearl Assurance, England)	Cleveland	1934	1,964,957	1,486,294	.....
Newark Fire Ins. Co. (Royal Insurance, England)	Flemington, N. J.	1917	6,579,218	6,759,709	350,000
No. American Fire & Marine Reins. Corp. (Swiss Reinsurance Corp., Switzerland)	New York	1940	110,168	2,089,997	.....
Orient Insurance Co. (London & Lancashire, England)	Hartford	1900	2,721,250	3,838,569	50,000
Patriotic Insurance Co. (Sun Insurance Office, England)	New York	1922	1,825,764	2,106,532	.....
Pennsylvania Fire Ins. Co. (No. British & Mercantile, England)	Philadelphia	1917	7,953,760	9,648,605	450,000
Potomac Insurance Co. (General Accident, Scotland)	Washington	1911	4,557,954	2,321,216	.....
Provident Fire Ins. Co. (Royal Exchange, England)	New York	1924	2,019,626	1,790,010	.....
Prudential Ins. Co. of Great Britain (Prudential Assurance, England)	New York	1922	4,745,684	2,263,627	.....
Queen Insurance Co. of America (Royal Insurance, England)	New York	1891	16,932,892	13,367,714	800,000
Safeguard Ins. Co. (London & Lancashire, England)	New York	1915	1,133,854	2,321,834	50,000
Seaboard Fire & Marine Ins. Co. of N. Y. (Yorkshire Ins. Co., England)	New York	1938	1,917,946	1,637,523	.....
Seaboard Insurance Co. (Royal Ins. Co. of England)	Baltimore	1935	809,230	1,322,715	24,000
Star Insurance Co. of America (Liverpool & London & Globe, England)	New York	1897	4,921,785	3,183,107	175,000
Sun Underwriters Ins. Co. (Sun Insurance Office, England)	New York	1930	1,136,981	993,838	.....
United Firemens Ins. Co. of Philadelphia (Phoenix Assurance, England)	Philadelphia	1920	2,818,035	1,908,825	100,000
Unity Fire Ins. Corp., New York (Union Fire, Acc. & Gen., France)	New York	1942	1,075,276	960,399	.....
Virginia Fire & Marine Ins. Co. (Liverpool & London & Globe)	Richmond, Va.	1943	2,099,476	1,950,010	40,000
Zurich Fire Ins. Co. of N. Y. (Zurich General Acc., Switzerland)	New York	1929	970,193	2,173,521	.....
TOTALS—44 Alien Controlled Fire Insurance Companies			$116,557,272	$119,463,825	$3,774,000

ALIEN CONTROLLED CASUALTY INSURANCE COMPANIES—1946 BUSINESS

Company	*Location of Home Office*	*Alien Control Effected*	*Premiums Written*	*Surplus Plus Capital*	*Dividends Paid*
American Guarantee & Liab. Ins. Co. (Zurich General Acc. & Liab., Switzerland)	New York	1939	$ 1,500,484	$ 2,828,281	$.....
Columbia Casualty Company (Ocean Acc. & Guarantee, England)	New York	1920	5,146,934	4,147,109	300,000
Eagle Indemnity Company (Royal Insurance Co., England)	New York	1922	6,476,830	4,701,253	.....
Globe Indemnity Company (Liverpool & London & Globe, England)	New York	1911	26,631,483	23,095,310	1,000,000
London & Lancashire Indemnity Co. (London & Lancashire Ins. Co., England)	New York	1915	5,860,176	2,960,566	.....
No. American Casualty & Surety Reins. Corp. (European Gen'l, Eng.; Swiss Reins., Switz.)	New York	1940	149,464	2,736,404	.....
Norwich Union Indemnity Company (Norwich Union Fire, England)	New York	1919	712,431	1,278,930	.....
Phoenix Indemnity Company (Phoenix Assurance, England)	New York	1922	6,948,457	4,562,071	300,000
Royal Indemnity Company (Royal Insurance Co., England)	New York	1911	22,730,211	19,406,080	850,000
Sun Indemnity Company of New York (Sun Insurance Office, England)	New York	1923	5,540,339	3,207,881	200,000
Yorkshire Indemnity Company (Yorkshire Insurance Co., England)	New York	1927	2,186,169	2,041,216	60,000
TOTALS—11 Alien Controlled Casualty Insurance Companies			$ 83,982,978	$ 70,965,101	$2,710,000

WORKERS WHO HAVE TOO MANY ACCIDENTS



SEVERAL months ago this publication, which does not pretend to be a technical journal for safety engineers, called editorial attention to the possibility that perhaps the time had come for a new definition of the term "Engineering" in the standard safety slogan of "Engineering, Education, Enforcement". It pointed out that the true meaning of "Engineering", in this sense, is fact-finding to supply the body of principles out of which educational and enforcement activities grow.

The comment was promoted by the interest currently being manifested—principally by others than safety engineers—in the part which psychological factors play in accident causation. The suggestion was advanced that safety engineering personnel, both in insurance companies and in industry, might well extend the scope of their activities to give greater attention to these psychological factors, upon the theory that they might thus accomplish more in their continuing effort to reduce accidents than by continuing to concentrate upon mechanical safeguards and upon educational campaigns designed to make the worker accident-conscious.

The suggestion was along the lines advocated by Alvin E. Dodd, president of the American Management Association, in speaking before the 1947 annual meeting of the National F re Protection Association. He held that fire protection and prevention have passed through the mechanical phase, where emphasis was on construction and structural safeguards against fire. It has passed through the educational phase where emphasis was on safety campaigns, meetings and contests. It now has passed into a period centering on the human hazards arising from individual temperament which make people susceptible and liable to start fires.

There have just come to hand two reports presented at the recent annual convention of the Greater New York Safety Council which make a number of interesting points concerning the importance of psychological factors in industrial accidents. One, titled "Improving Mental Attitudes for Safety", is by Dr. Lydia G. Giberson, industrial psychiatrist for the Metropolitan Life Insurance Company, New York City. The other, titled "Discovering the Accident-Prone Employee", is by William H. Hollis, lecturer and research associate at New York University's Center for Safety Education.

Dr. Giberson expressed the belief that the majority of accidents have their sources in human factors, and held that one cannot but believe that an accident is a telltale symptom of temporary or permanent emotional disturbance. This connection between emotional sickness and accidents is only of late being talked about to any degree. It needs more emphasis and wider acceptance.

"To the psychiatrist," Dr. Giberson asserted, "the individual appears as a self-sufficient unit; he is not merely a cog in the industrial machine, a check number on a payroll. The whole of his life is viewed as a working, breathing unity—a unity which comprises mental, physical, emotional, cultural, social and economic aspects. Any factor whatever which threatens the sweetness and mature synchronization of all those aspects is a threat to the 'safety' of the individual concerned. According to my lights every honest citizen has the inalienable right to a fully-rounded life of satisfactory work rising gracefully to a mellowed old age. Such a definition of 'safety' is a broader one than that contemplated usually, but from years of observation I am certain that many of the causes of maladjustment and physical accident and disability rest in just such a broad panorama. There is the miracle of the body, that it breathes and dies; there is the miracle of the mind, that it thinks and acts; there is the miracle of the emotions, that they direct and condition both the mind and the body.

"The narrower definition of physical accident is included in this larger definition. Accidents, except for those arising from the cussedness of machinery or from the physical environment, must of necessity come from a weakness or maladjustment in the victim. Bring mental health to the employee, place him where his abilities fit, and we who are responsible for the lives and bodies of our workers shall have a measure of control over the dangers of industrial life which now seems unbelievably improbable.

"It is axiomatic that if there were no human beings there would be no accidents. The individual contributes 95% of the factors necessary to make an accident. 'You can build a guard-rail around a band-saw,' says Dr. Forster, 'but you cannot fence off mental attitudes.' Some eight out of ten accidents are preventable if the psychological factors are controlled.

"Emotional causes of accidents are deeply hidden. One must see the individual life as a whole in order to gauge the emotional maladjustment. Causes deep in the private life of the worker may bring about, in their logical sequence, accidents which are completely unexplainable on the surface. Fear, worry, hunger, illness, psychological unrest, fatigue, and boredom cost many lives. Anger, irritability, bravado, show-

ing-off, exhibitionistic horseplay, group hazing, perverseness, and childishness all take a toll in human accidents. To reach the cause of these, and to compensate for them, requires the whole picture of the individual and not merely that aspect of him which is uppermost in an industrial plant.

"So there is need for the general approach, the broad picture, the complete life. The causes of accidents are quite often emotional; no worker ceases to be a parent, or a lover, or a dreamer, or a hater, or a craven merely because he dons a pair of overalls. Emotions cannot be changed or rubbed out by an appeal to reason; their driving power comes from deep pressures within the mind, and mere logic cannot touch them. Apparently unrelated causes may bring about serious accidents. There is more between the size of a grocer's bill and a broken leg than the average industrialist's philosophy may yet have dreamed of.

"What are the basic requirements for an accident? I can simplify my answer by limiting the personal factors to two, each present in varying intensity. The first of these is the lack of physical coordination, the jam in the muscular control, the slow reaction time through which the individual fails to assess a situation and to move in time to avoid an accident, the slowing up of physical response in a set routine. The second basic requirement for an accident is inattention, perhaps the distraction which an alien emotional current sets up so that the job in hand loses focus and full meaning; perhaps the intrusion of a feeling of distance and unreality which maladjusted emotional factors bring about; perhaps mental and emotional preoccupation. But, at any rate, inattention. These two factors are basic. If one takes for granted that the management has taken all proper safety precautions then these two account, probably, for all accidents. The presence of either or both of them is a constant source of danger; if any preventive safety work is to be done the affected individuals must be detected and treated before the accident or another accident occurs. The surest indication of the presence of these two factors is the minor accident, the cut finger, the damaged machine.

"With some people these two factors are always present. Such people are 'repeaters', the accident-prone. They form a more or less constant group. That accidents happen to this group, and not to other groups, is a logical result of the underlying causes which distract the attention and destroy physical coordination.

"These are the two basic requirements for an accident: the lack of physical coordination, and the lack of attention. With their deep-set emotional foundations they constitute the sign and signature of real and potential accidents. If we are to prevent accidents, and not merely mop up after them, these two factors must be detected and removed upon their first appearance.

"The epileptic, the late syphilitic with marked brain damage, the senile, the feeble-minded, the chronic alcoholic are more or less automatically excluded from positions of responsibility where their lack of control may be a source of danger. But there are other individuals so close to the normal that the detection of them many times must come, unfortunately, only from the consequences of their defections. These more obscure types suffer from the commonest of human ailments—the emotional upsets which impair efficiency and limit us to one great man a generation. By some chance they have come to have exaggerated forms of our normal traits. They need sympathy. There is an old adage 'Look in your heart and write' which might be changed to 'Look in your heart and listen' in order to be the perfect principle for those guiding the safety of millions of employees. And human sympathy and human understanding will solve problems even wider than those of safety.

• • •

"ALL of us fall into certain types of personalities. Some of these types are more prone to have accidents than others.

"The manic-depressive you have all met, even though you may have recognized him under a less oppressive title. He is the most human of men. Praise him and he flies to the sky, criticize him and he mopes in the depths. He is the cyclic individual, with either the up or the down cycle predominant. During the upswing he must be watched, for he lacks the skill to take things in the rapid sequence which his temporary mood requires.

"The day-dreamers fit not too well into our industrial civilization. They constantly are being jerked into the present by the inexorable demands of a practical and non-mystical people. Their thought is always turned in and never, or rarely, toward the specific job to be done. To prevent accidents from these people one ought to keep them on the jump, to keep them from having time to go wool-gathering. Action and a chance to dramatize themselves will keep their attention on the job, and will permit that excellent inventiveness which is typical of all dreamers to work productively. Only through lack of attention are they accident-prone.

"The chronic worriers form another group which shows the two accident characteristics of lack of proper coordination and lack of sharp attention. They anticipate accidents, and by that mental lineup set their muscles and their attention so definitely on a coming misfortune that often they encourage it rather than send it away. The back-seat driver is a homely example. At every tight place he contorts his muscles, shrieks in dismay, and makes some involuntary move to take over control of the machine; some day he will anticipate an accident by creating one himself. The worrier also suffers in retrospect; he loses his nerve. Past narrow escapes upset him so much that he has a tendency to duplicate the situation and to provide a more dramatic conclusion. These worriers should be drilled to a set routine wherever possible. When an emergency comes habit will then take care of and calm the worrier. The worrier is always relieved by certainties. What he cannot stand, and what makes him accident-prone, is the possibility of something unpleasant happening to him. Quite often he is a good soldier when he knows what music he has to face.

"The crippled-personality is another accident-prone person who eludes detection except by the trained eye. He is the person suffering from any disease or deficiency—heart ailments, deafness, gout, chest conditions, endocrine insufficiency, and others. These people make a mental compensation to fit their physical ailments. They are separated in their own minds from the average employees; their illness is a basic factor in all they think or do. A vagueness clouds their actions, and in many instances the defect which would not rule them out of performing their jobs is turned into an obsession which will. Alertness and normal reactions vanish —and the accident occurs. Medical treatment and out-in-the-open discussion will be a corrective, and in time the crippled personality will become moderately proud of his ailment. But we would rather have a human bore than a human accident.

"The lonely personality is a much more diffuse case of inattention. The lonely man tends to become dissociated from his work and his fellow employ-

ees; he lives in a somewhat bitter world of his own making, and views even his job from the other side of an emotional Grand Canyon. The source and cause of his loneliness rests almost always in his private life. It may be a geographical factor—a childhood spent in the open plains with their long empty vistas, or in the separateness of big mountains, often will leave the grown man reluctant to enter the spirit of a big organization. Poverty, again, may leave scars upon the adult personality. Membership in the minor religious sects sets a man apart. Sometimes the memory or presence of pathological parents prevents the grown man from realizing himself in his work. Whatever the cause of the loneliness, two types emerge —those who linger at the edge of the crowd wistfully hoping someone will invite them to join in, and the others who have an admixture of melancholia in their loneliness and will not join. The second group only needs attention here. These will become schizoid and dangerous from a safety viewpoint unless some well-thought-out program is conducted to win them to an inclusion in the life of the organization. They react well to this type of responsibility.

"The paranoid personality is a suspicious fellow who reads dark motives and fell plans into the simplest of actions. He trusts no one and suspects everyone. Thus he brings an element of unreality into the normal functioning of the industrial organization, and thus violates the basic rules of accident prevention. These people must at all costs be removed from supervising positions, for they breed resentment and unreality, thus endangering not only themselves but all those under their direct command. They lack any decent objectivity and visit their family, social, and religious irritations upon their fellow workers.

"These are the types which show most clearly the primary equipment for an accident. They are lacking in clear emotional and physical action; an alien element intrudes itself upon their good sense, and their physical reactions suffer. The mere recognition of these types among the employees is only the first step toward safety measures, but that first step and the sympathy it involves are of great importance. Once the problem is clarified, the solution becomes humanly possible.

"So far we have been discussing types of personalities, but there also are situations which give rise to the two requirements for an accident—inattention and lack of coordination. One always must remember that an unusual situation or an irritating dilemma gives rise to emotional stress. And under emotional stress the average personality becomes abstracted and loses coordination among mind, body, and the job.

"Some of these situations are: physiological fatigue arising from undernourishment; mental fatigue arising from long periods of concentrated work; financial difficulties taking a toll of the worker's coordination and attention. Employees quite often attempt to carry on their jobs while suffering from temporary shock. A death in the family, a broken engagement, a fire, or what not may put a man into a temporary daze. Wherever possible the supervisor should see that the employee does not work at all while in this condition. The few days of inaction will pay dividends in increased efficiency and freedom from accident.

"This group of situations usually can be met quite easily, but the second set is more difficult to treat. These are only enumerated: the problem of beginnings; the problem of endings; the menopause, both male and female; the problem of group exhilaration.

"These are many of the sources of accidents arising from emotional factors. Any measures that contribute to the smooth handling of emotional situations contribute markedly to safety. Absence of fatigue and ease of mind are great protections against accidents. I would like to reemphasize the necessity of keeping in mind the whole unified picture of the individual worker. The industrial is only a part—back of it rests the mental life, the family pressures, the local environment, the social class, and the currents of our total civilization. Safety, as I see it, is a sign of positive coordination, a sweetness of physical and mental health, the adaptation of a twentieth-century adult to his industrial environment. It is extremely important to remember that all of the environment must be considered, for man lives, breathes, and works as a unit. Safety is a humane consideration, and a grace accruing to a really decent civilization."

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WILLIAM H. HOLLIS characterized his conclusions as a possible new approach to the very old problem of the accident-prone employee. He recalled that careful scientific analysis of the problem may be said to have begun with the presentation of a closely-reasoned paper by Major Greenwood and G. Udny Yule before the Royal Statistical Society in England in 1919, which was devoted to the nature of frequency distributions representative of multiple happenings. He stressed the importance to industrial safety of research and science, particularly research associated with human beings, and pointed out that this importance sometimes is overlooked because of the necessity for dealing with practical and pressing problems in the industrial safety field In attempting to formulate a definition of the accident-prone individual much more specific than usually is formulated, he deplored by inference the tendency to regard as "accident-prone" any worker who has been involved in accidents irrespective of the conditions under which he may be required to work.

The speaker held that, in discussing accident-proneness, there are four separate problems: the problem of identification of the accident-prone individual; the problem of unsafe human behavior in industrial situations; the problem of statistical measurement of accidents; and the problem of correction and control of unsafe behavior.

"A careful analysis of existing data —data of much greater proportions than the safety engineer usually assumes—demonstrates beyond reasonable doubt that there are people who are accident-prone," he asserted, in treating the problem of identification of the accident-prone individual. "What does it mean to say that an individual is accident-prone? To find simply that a person has accidents, even a large number of them, does not allow the inference that that person is accident-prone. To find that a person has a greater proportion of accidents than do his fellows in the same department does not allow the inference that that person is accident-prone. And to borrow a phrase from Dr. W. V. Bingham, chief psychologist of the Adjutant General's Office and head of the psychology department of Stevens Institute of Technology, even if we have an individual with an accident rate per unit of exposure that is significantly greater than that of the population to which the individual belongs, it does not necessarily follow that such an individual is accident-prone."

"The hallmark of the accident-prone individual is susceptibility to accident situations. While some hold that the accident-prone individual may never have had an accident, and while that statement is precise theory in that it distinguishes the 'repeater' from the 'prone', it might be more logical in a practical sense to hold that the accident-prone individual may never have had an injury. Until instruments of

such nature are developed to identify the unsafe or dangerous person prior to any work experience whatsoever, there is little practical value in the statement that the accident-prone person may never have had an accident. At the present time we must go to accident and injury experience to identify the accident-prone person."

"To return to Dr. Bingham's careful statement it may be said that an individual is accident-prone if his accident rate per unit of exposure is significantly greater than that of the population to which he belongs if, and only if, the activities or the work performed by this individual do not differ in great degree from those of the group to which he is assigned."

"This is merely another way of saying that presumption of accident-proneness should follow and not precede the determination of standard work situations, standard job instruction, and standard job methods. For all too often we find that accidents arise from improper work situations, improper or incomplete or inadequate job instruction, and haphazard or inefficient or fatigue-ridden job methods. We need only go to the experience and data of the industrial engineer, the time study man, or the manufacturing engineer for evidence. And for some direct evidence we can go to 'Old Joe the Shopman' himself. It is no small injustice to call 'Joe' accident-prone because his supervisor or management is indifferent-prone, lacks skill in leading people, fails to instruct, fails to alleviate or correct abominable shop conditions and practices, or fails to produce with efficient methods in a shop where morale is at rock-bottom.

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"LET us say we have standardized jobs in terms of selection and placement of employees, in terms of time and motion study with some standard data, in terms of the nstructional precedures required to create adequate skills of quality performance, and in terms of the most efficient manufacturing methods of hand work, machine work, and material handling. Let us assume further that we have standardized all of these manufacturing elements of processing and fabrication and distribution to such an extent that the only variables are those people whom we select and assign to perform the work. Then, and perhaps only then, are we enabled to presume that an individual is accident-prone because he has a critical portion of the accidents that falls within arbitrary limits from the mean of standard deviation or normal probability for those standardized manufacturing situations.

"Thus an individual is accident-prone not because he has accidents, but because he has an accident experience which significantly exceeds that of the group performing under similar standard conditions of risk and exposure. To determine equivalence of risk and exposure will require standardization of job elements or details—all of the separate operations, moves, inspections, and delays. Once we have standard conditions of risk and exposure we can reasonably assume that any variation in accident experience among individuals is appreciably due to measurable and significant differences in human equipment—barring, of course, the class of circumstantial accidents like those of being shot by a duck or by an angel. With these standard conditions we often proceed as a matter of common sense to estimates of accident-proneness—as when, for instance, a supervisor of shipping entrusts a cargo of explosives to a certain driver rather than to another."

"When we have established that requirement of standard conditions we can ask: 'Why does "Joe," under conditions of risk or exposure similar to those of others, suffer significantly more accidents than his fellow workmen?' We can reply with consistency that '"Joe" is accident-prone.' But this is no solution. It is only a way of identifying the source of the problem. The problem is not the work, it is 'Joe'. This introduces the second problem of unsafe human behavior in industrial situations.

"Heinrich has forcefully pointed out, in an unpublished letter, that the reason why 'Joe' has a large proportion of the accidents under the standard conditions described is simply because he acted unsafely more often . . . One person has more accidents than another because he commits more unsafe acts than another . . . Unsafe acts of people are responsible for the large majority of accidents. But the crux of this issue of the unsafe behavior of employees, the essence of the problem of the accident-prone employee from the point of view of prevention and correction, lies in attacking the causes which give rise to unsafe personal behavior . . . You can have perfect plant, equipment, and materials in terms of layout, design, and composition, and in all probability you will continue to have accidents . . . We can describe a host of unsafe acts in our reports until kingdom come and we shall have done absolutely nothing toward prevention and correction of the unsafe personal factors which occasioned or resulted in or produced the unsafe acts. It is to human and personal factors that we must turn . . . The whole competitive economy rests on what we do with these personal factors.

"The fellow that gets hurt on the shop floor is more than an employee. He is a political and economic entity, a social entity, with four powerful rights better called decisions for action. He can vote, he can decide to stay away from work, he can decide to buy his material needs elsewhere, and he can decide to quit. In short he has a heart to be won, an attitude to be developed or changed, ambitions that can be stimulated, nerves that can be shattered, pride that can be hurt, hopes that can be realized. He needs only a little more education. If management fails to educate him in safety through its principal representatives, the foremen and supervisors, he is likely to get his education elsewhere, and his heart will be won long before he uses his head. We shall be able to change his unsafe behavior only after we have won his heart as well as his head."

"This brings us to the problem of scientific method in accident prevention, the problem of statistical measurement of accidents . . . Every plant safety program which is planned to understand, predict, control, and prevent accidents due to unsafe personal factors and unsafe acts must first know: what kind or kinds of accidents and accidental injuries are we counting, and how many of like kind were there in a given period of exposure? How many of these accidents or accidental injuries were primarily caused by unsafe acts of persons as opposed to those caused by unsafe conditions of the plant?

"Until the preceding measures are ascertained with care and precision . . . it is of little value to speculate on the unsafe personal factors operative in the plant. If we do not know what happened, and how many times it happened, it is perfectly obvious that we cannot find out why it happened, and what to do about it to see that it never happens again . . . No safety program can be built on unsafe personal factors and education alone. An ounce of engineering revision in design and manufacturing engineering is worth a ton of education if that engineering revision gets to the bottom of the unsafe act or unsafe condition. Or, as Dr. Bingham puts it, and much better: 'The money spent on slogans, posters, radio talks, and other shotgun attempts to get the accident-prone man are mostly a shameful waste of the precious funds

and personnel available for accident prevention. Safety education which tells traffic police, school principals, and safety engineers a lot of high-sounding generalities—without getting down to particulars as to how to identify and correct a particular sort of accident-prone location, or accident-prone condition of the road surface, or accident-prone kind of headlight, or accident-prone attitude of a driver—is just a mess of tripe.' "

"Let us assume, however, that we have done a good job of identifying our accidents, and the unsafe acts and unsafe conditions which immediately cause them. We can then construct a graph or scattergram, indicating workers and accidents . . . If, in constructing this graphic picture of the facts, we find that a small number of people are responsible for or are involved in the majority of the accidents, especially if we have selected a period of equal exposure and equal risk under reasonably standard conditions, the presumption of accident-proneness is clear and unequivocal. But it is wholly a question of what we find to be the case in our own plants. As I have written elsewhere: 'That some people show an individual susceptibility to accident is no longer an hypothesis in need of verification; it is now a theory in need of more experiment.' "

"An approximation of the measure of accident-proneness can be determined in a very rough manner merely by plotting accident rate and individuals for any given period of exposure. From these measures may come the discovery that 15% of the employees were involved in 65% of the accidents. If we find further in every individual case of the 15% that standard work situations, standard job instruction, and standard job methods prevailed for the entire working force under scrutiny, we may reasonably conclude that the individuals of this 15% are accident-prone.

"Assume that we have discovered the accident-prone employees through the use of statistical methods of treating accident experience. While other methods of discovering the accident-prone are available, ranging from psychophysical tests and projective psychological methods to the more abstruse and esoteric psychiatric and psychoanalytic procedures, they do not conclusively demonstrate accident-proneness, nor do they indicate necessary and sufficient relations between accidents and personal factors, nor do they appear to be wholly practical tools of scientific management. These new methods need further research and development. But we must take our point of departure in accident experience, and to accident experience we must return, if we are going to do a practical job in the least amount of time and at the lowest cost.

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"HAVING discovered the accident-prone it remains to determine corrective action. To determine that 10% of plant personnel are demonstrably neurotic will be of small value if we have no constructive procedures, professional personnel, or practical methods of correcting for neuroses. This brings up the problem of correction and control of human behavior."

"People behave unsafely in the shop, on the streets, and in the home. What makes a person behave unsafely? Let us stop kidding ourselves about this autonomous and beneficently reasoning mind that determines all of our right actions . . . People are systems of sentiment, and sentiment rules the decision . . . If we are to attack the causes of unsafe human behavior we must develop shop leadership and managements capable of influencing the sentiments and attitudes of workers to a degree that will foster safe and rational behavior. Plant managers and safety men should take a long and steady look at supervisors. If they are not leaders of men it is going to be costly in loss of production, loss of money, and loss of face. The supervisor of today has no small task in this realistic age with its loss of a sense of dedication to the job. Today we must not only make plant conditions safe, we have to learn to make the work worthwhile. All too many corporations today are operating on a marginal industrial relations and safety policy—replete with posters, handbooks, supervisory newsletters written by swivel-chair experts, reams of paper-work, everything except getting down to 'Joe', to the abominably unhealthful and unsafe conditions under which he is sometimes forced to work, and to the sentiments and attitudes that will eventually spell out the company in the eyes of the company's competitors, the public, and the customers.

"Unsafe acts are found in the shop. Unhealthy attitudes and sentiments are found in the shop. Only the shop manager—the supervisor—can cure them where they should be cured, in the shop. And they must be cured in the shop and by the shop supervisor if our industrial relations policy and personnel management practice is to stand squarely on its two feet in this period of economic adjustment. Labor will not easily forget the social status it gained during the war, nor the employee services bought with a twenty-cent dollar, nor the fact that some semblance of safety and health sometimes was bought by the plant under government pressure. We have got to get to 'Joe's' heart through the loyal and competent and educated supervisor—the leader in the shop—if we are to prevent accidents due to unsafe human behavior. And when we get to what makes 'Joe' tick, we get to human and personal factors.

"Without getting into all the problems of psychopathic deviation, psychoneurotic behavior, psychotic symptoms, the many and varied kinds of maladjustment—occupational, home, social, personal, health, sexual—there is abundant and convincing evidence that if workers are selected for jobs that are fairly well described and standardized in terms of physical factors, environmental factors, and personal requirements, much of what appeared to be accident-proneness will vanish. Let us be sure that 'Joe' can see on jobs requiring 20/20 vision and normal color perception. Let us be sure that 'Joe' can do, or is instructed in, the many other things the job requires. There is nothing more dangerous than the uninstructed man on the wrong job. Add to this several unsafe personal factors and you do not have an accident-prone employee—you have a very dangerous man.

"We ask these questions in these four problem areas, questions put to managements and supervisors concerning accident-proneness: (1) Are our jobs standardized in terms of selection and placement, in terms of job instruction, and in terms of manufacturing method? Do we take 'Joe's' measure periodically and in all significant ways? (2) Do we know how many accidents are principally the result of unsafe acts, as opposed to those principally the result of unsafe conditions, in our plants? Are the shops and jobs in themselves reasonably safe? (3) Do we know whether or not a small percentage of the workers is involved in a large percentage of the accidents? (4) Do we have an enlightened safety policy, backed in action by top management, that gets to 'Joe' through the first-line supervisor — a safety policy built upon industrial leadership educated and skilled in human relations, job methods, and job instruction? If we do not have favorable answers to these questions searching for the accident-prone will be a terrible waste of time and money."

NOTES UPON RECENT EXPERIENCE IN AIRCRAFT INSURANCE UNDERWRITING

By William H. Rodda

AIRCRAFT hull insurance premiums written by fire insurance companies in the United States in 1946 amounted to more than $11,000,000, with about 5% of this total written by mutual insurance carriers. Losses paid were approximately 50% of premiums written, a ratio which compares unfavorably with the loss ratio of about 44% for all types of business written by fire insurance companies last year.

Different branches of the aviation industry have produced widely varying loss ratios. It was not until this year that insurance companies could determine to their own satisfaction which aviation risks could be classed as subject to "normal" hazards, and which could be expected consistently to produce heavy losses. Before the war there was not sufficient premium volume to permit effective classification, and the period 1941-1945 was abnormal because of war.

The mutual insurance companies members of the Transportation Insurance Rating Bureau have developed a system for coding aviation premiums and losses which rapidly is showing up the unfavorable factors and loss causes in various types of aircraft users. Changes in rates and forms are being made as experience warrants, and improvement in loss ratios already is evident. Some random observations based in part on this experience may be of interest to aviation underwriters and policyholders.

Student instruction always has been considered one of the most hazardous types of airplane operation. The accident record has been blamed on the obvious lack of experience of student fliers, but recent analyses of many accidents indicate that another factor may be more important. Reports of several thousand accidents, as collected by the Civil Aeronautics Board, show that about half of all mishaps occur during take-offs or landings. This is true regardless of whether the pilots are students or experienced fliers. Apparently the student operation is more hazardous primarily because it involves so many practice take-offs and landings.

Rented planes have shown a thoroughly unsatisfactory loss record. This appears largely due to the fact that pilots rent planes with which they are not familiar. Many airport operators have been satisfied to rent an airplane if the pilot can show that he has had a half-hour of instruction in that type of ship, and has a license qualifying him to fly a plane of that size and horsepower. Actually it takes many hours of training before a pilot can change safely from one model of airplane to another. The circumstance that a pilot has had several thousand hours flying a transport or a fighter plane does not in any way qualify him to fly a two-seater private plane.

The least satisfactory loss record of any class of aircraft owner is that of the "fixed base" operator, or aircraft service operator. Ordinarily he owns planes which are used for student instruction, rental to others, cross-country taxi flights, charter expeditions, and general utility flying. He may have from three to one hundred planes, and may be equipped to do anything which can be done with an airplane. When weather is good his planes are in the air during every possible minute, and repairs may be neglected until a day when the weather makes flying impossible.

Inspection and underwriting of aircraft service operators must include a careful analysis of the complete operation, with a careful estimate of the proportion of the more hazardous type of flying done—such as student instruction and rentals. An estimate of the number of take-offs and landings is a necessary part of such an inspection.

Industrial aid planes are considered to be the most desirable of all aviation business. Such planes are used by corporations or individuals in the conduct of some business other than aviation. Rubber companies, oil companies, newspapers, and many other types of organizations own planes which are used to carry their personnel, guests, or cargo from place to place. There are no operations for hire, and money for maintenance is not dependent upon revenue from flight operations. The organization which can afford to operate a plane usually has enough money to maintain it properly and to hire expert pilots. The industrial aid plane is used primarily for cross-country flights, and this keeps the hazardous take-off and landing operation at a minimum in relation to total hours of flight. Practice flights are small in number, occurring only where the pilot is being trained or where he is permitted a certain amount of practice in order to maintain his proficiency.

Taxi-ing accidents cause a high proportion of all aircraft damage. Past insurance company practices bear partial responsibility for this, because taxiing damage has been included as part of the ground coverage, and has been subject to a small deductible. There is a feeling that the deductible on taxiing losses should be raised to an amount equivalent to that on flight losses. Automobile underwriters have found it necessary to sell insurance policies with higher deductibles as a result of present inflated repair costs, and aviation underwriters are taking similar steps.

Today's aviation picture has its bright spots as well. The manufacturing portion of the industry is shaking down to the point where there will be fewer models and makes of planes. The tremendous progress of the automobile industry has been due partly to standardization of manufacture and controls, so that transfer of the driver from one automobile to another is simple. Standardization of air plane controls and characteristics will aid safe operation of the planes of the future.

Insurance companies are finding it more and more difficult to select special classes of business which they desire to write. If they are to do a general insurance business it becomes necessary to make all classes of coverage available to their policyholders. For the first time in its history there is a definite opportunity for insurance companies to bring aviation insurance out of the class of accomodation business, and to make it stand on its own feet as a regular type of insurance coverage available to desirable policyholders.

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WHAT THE YOUNG INSURANCE MAN SHOULD KNOW

During June 470 candidates presented themselves at sixty-five locations in the United States to take 883 examinations under the direction of the American Institute for Property and Liability Underwriters, Inc. Successful completion of examinations in four fields—insurance principles and practices, general education, law, and accounting and finance—qualifies candidates for the Chartered Property Casualty Underwriter designation. In the July issue of the JOURNAL OF AMERICAN INSURANCE were published the examination questions for Part I and Part II of insurance principles and practices, which dealt both with practical fire insurance and casualty insurance problems, and with fire insurance and casualty insurance theory. Upon the following pages will be found the examination questions in the other three fields of concern to the Institute—general education, law, and accounting and finance. General education, as will be noted, is explored through questions dealing largely with economics, government and taxation, and social developments. The law examination involves both insurance and general business law. The section on accounting and finance is concerned both with general business, and with some problems peculiar to insurance. The Institute will publish examination results in August, and will make available later this year a composite set of answers selected from the best examination papers.

GENERAL EDUCATION

1. "England's future depends primarily upon enlarging production. That is the crucial test which British Socialism must meet . . . Socialism seems to lack the spark plug that inspires output." *(a)* Explain what is meant by the "spark plug that inspires output," and indicate how Socialism expects to progress without it. *(b)* Describe the other characteristics of the system of production under complete Socialism and show wherein they are similar to and different from production under capitalism (as it exists in the United States today).

2. "In December, 1946, Government Securities accounted for 64% of all the earning assets of reporting member banks of the Federal Reserve System. This compared with 72% a year earlier, and was a reduction due to the redemption of short term public debt." *(a)* Does this mean that unless there is an increase in Government debt the inflationary danger from Government securities has passed? State fully the reasons for your answer. *(b)* Identify any existing forces that have inflationary potentialities within the next few years. In each case explain briefly the process by which it might exert an inflationary influence.

3. An advocate of a substantial reduction of income taxes recently said: "From our economic history one learns that the surest way to increase real wages is to provide an adequate incentive to capital, therefore it is in the best interest of labor that income taxes be reduced at once." *(a)* Explain what is meant by the expression "real wages." *(b)* Explain the process whereby the "incentive to capital" could bring about an increase in real wages. *(c)* For what economic reasons might labor maintain that reduction of taxes is not in its best interest at this time?

4. "A" says that a decline in the demand for certain consumers' goods is a reliable forecaster of a coming depression, but "B" says that the first significant indication of an impending business depression appears in the producers' goods industry. *(a)* Distinguish between consumers' goods and producers' goods. *(b)* By what line of reasoning might "A" defend his position? *(c)* By what line of reasoning might "B" defend his position? *(d)* As a matter of historical fact, have consumers' goods or producers' goods usually been the first to undergo a substantial reaction?

5. The Supreme Court in the case involving the United Mine Workers recently said the Anti-injunction Act of 1932 (Norris-LaGuardia Act) does not apply to the United States Government as an employer. *(a)* To whom does the Anti-injunction Act of 1932 apply and under what conditions, if any, does the Act forbid the issuance of injunctions? *(b)* What are the constitutional bases for the power of the Federal Government to enact labor legislation? Give one example of a Federal labor law based on each constitutional power to which you refer. *(c)* The various states have also enacted labor legislation. By what authority do they pass such legislation and what are the limitations on this power?

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6. A short time ago the Governor of one of the larger states said: "Real estate can no longer continue to pay the full cost of government in local communities . . . The only solution is . . . to afford to your communities greatly increased diversification of taxation." *(a)* Explain the tax theory upon which real estate taxes have been based, and state the reasons that have been advanced for relieving real estate from some of the burden of local taxation. *(b)* Submit three alternative sources of revenue which might be used for local government finance in lieu of realty taxes and identify the theory of taxation underlying each. Give reasons to support each revenue source you submit. *(c)* Does the Constitution of the United States permit the levy of local taxes without representation? Explain.

7. *(a)* Even under a democratic form of government a voter has to fulfill certain qualifications. According to the Constitution of the United States who has the power to regulate suffrage? List at least four qualifications commonly required of a voter. *(b)* Some of our political and military leaders insist that the methods of modern warfare make imperative a merger of the War and Navy Departments. What are the respective powers of the Presi-

dent and Congress in effecting the merger, and to control the new departments if the merger is consummated?

8. The most important aim of the United Nations Organization is to promote world peace by removing the causes of international friction. Since international trade barriers have been a principal cause of friction any measure designed to reduce them should help United Nations achieve its purpose. *(a)* Outline the chief characteristics of our reciprocal trade agreement program (Reciprocal Tariff Act). To whom is the administration of this program entrusted? *(b)* How does the constitutional basis for the Reciprocal Tariff Act differ from that of the treaty-making authority? *(c)* There has been substantial opposition to renewal of the Reciprocal Tariff Act each time the question has arisen. On what economic and political grounds has the extension been opposed and supported?

9. "The Saskatchewan automobile accident . . . law provides for payment of compensation to all automobile accident victims in the province, regardless of liability, with every motorist required to insure in a monopolistic state fund . . ." *(a-b)* With respect to the legal basis of recovery, and the insurance requirement, show wherein the plan used in Saskatchewan, the system governing automobile accident liability in Massachusetts, and the typical so-called automobile financial responsibility law are similar, and dissimilar. *(c)* To what extent, if any, have the states in the United States adopted laws similar to that of Saskatchewan, and to that of Massachusetts? Explain briefly.

10. "*Old age assistance* should not be confused with what is popularly called 'social security' payments available under the Federal *old age and survivors insurance program.* The amount of assistance granted depends on . . ." *(a)* Indicate for each of the italicized terms the nature of the hazard covered, and the principal condition on which the benefit is granted. *(b)* Complete the second sentence. *(c)* Since we have a Federal old age and survivors insurance program, why is it necessary also to have an old age assistance program?

LAW

1. *(a)* At 2:00 P.M. on June 1, "A" applied for a fire policy on his summer residence, located at a mountain resort. The requested policy was dated June 1 and delivered to "A" at 4:30 p.m. that day. "A" paid the premium when the policy was delivered. Unknown to "A" and to the insurance company the residence had been destroyed by fire at 1:00 p.m. on June 1. The company, upon learning of the time situation a few days later notified "A" it would not pay for the loss, and because the subject matter of the insurance no longer existed it tendered return of premium. Is the company's position correct as a matter of law? Explain the legal principle that determines your answer. *(b)* The parol evidence rule, which is frequently invoked in litigation involving contracts, is of particular importance in the field of insurance. Explain, together with an illustration from the field of insurance, what is meant by the parol evidence rule.

2. *(a)* The partnership of "B" "C", and "D", which operated an insurance agency, entered into an arrangement with "E" for collecting accounts that were overdue the firm. The question arose whether "E", in his relationship to the firm, was an independent contractor, as distinguished from an agent or employee. Explain specifically how the answer to this question should be determined. Explain why it is important to determine the answer to this question. *(b)* The experience of the firm in the situation presented led the partners to consider the problem whether they should incorporate or should continue to operate on a partnership basis. Compare a partnership and corporation with respect to the following matters: the legal formalities and procedure pertaining to the creation and formation of the enterprise; the right to compel payment of profits in the absence of any specific agreement; the extent to which an individual partner or shareholder may make contracts which bind the business.

3. *(a)* "F", agent of "G", contracted to buy materials from "H". "F" made and signed the contract in his own name and "H", who had not been otherwise informed, assumed that "F" was acting for himself. Later "H" learned that "F" had in reality been acting as agent of "G" in the transaction. Both "F" and "G" refused to accept and pay for the materials in question. Does "H" have a claim for breach of contract against "F" and/or "G"? Give a complete explanation in support of your answer. *(b)* "J", an agent of an insurance company which issued a fire policy to "K", observed on three distinct occasions that "K" was engaged in conduct which constituted a breach of a condition in the policy. "J" did nothing about the matter. Later the insured premises were damaged by fire and "K" sued the company to recover for the loss under the policy. The company pleaded as a defense "K's" breach of condition under the policy. Under the facts presented, is the company's defense good. Explain your answer fully. To what extent, if any, would "J's" source of knowledge influence your decision?

4. In payment of merchandise stored in the seller's warehouse awaiting delivery as soon as the buyer's motor trucks arrived, "L", the seller, drew a draft to his own order on "M", the purchaser. A few days later "M" accepted the draft and returned it to "L" who intended to discount it at his bank. Before he had the opportunity to do this, and before the buyer's motor trucks arrived, the merchandise which was not insured, was destroyed by fire. When "M" learned about the fire he demanded "L" return the draft to him. *(a)* As a matter of legal right do you think "M" can enforce his demand? Explain fully why or why not. *(b)* Explain with justifying reasons the rights of the respective parties if "L" had discounted the draft after the fire but before "M" learned about the destruction of the property. Answers to both questions must show, with reasons, the person who should have carried the insurance.

5. "N" owned a parcel of raw furs which he delivered to "O" pursuant to a written contract whereby "O" was to dye and finish the furs in return for a specified compensation. The drum room on the ground floor of "O's" establishment contained an old-style unsheathed motor. Sawdust which was permitted to accumulate on the motor became oily, damaged the wiring, and a short circuit resulted. Consequently flames shot out from the motor and caused a fire which damaged "N's" furs. "N's" insurance company paid him for the damage to the furs. *(a)* Explain fully the nature of the relationship between "N" and "O" and the standards of legal liability governing that relationship. *(b)* Would "N's" insurer have any common law right against "O"? Explain fully the reason for your answer, and indicate why it might be of significance in this case. *(c)* Suppose that the contract between "N" and "O"

contained a clause declaring that "O" was not to be liable for loss or damage caused by fire or theft. Would this alter your answer to the preceding question in any respect? If so, why? If not, why not?

6. "P" obtained a fire policy on his property, described in the application and the policy as a "four story brick building used for winding and dyeing yarn." He did not disclose the fact that only three days before the application an attempt had been made, apparently by an incendiary, to burn an adjacent mill. At the time of the application he stated, in good faith, that he was solvent. As a matter of fact he was insolvent at the time, although he was unaware of this. Eight months after the policy was issued "P" ceased to use the building for winding and dyeing yarn, and instead began to use it as a warehouse for the storage of furniture. While the building was being used for this purpose it was damaged by fire and the insurance company refused to pay for the loss. In a suit by "P" against the company the latter pleaded the defense of concealment, misrepresentation, and breach of warranty. With respect to each of these defenses state, with reasons, whether the defense is valid or invalid in this case. In each case explain the legal principles and qualifications which determine your answer.

7. *(a)* "Q's" camera was stolen from him and sold to "R", an innocent purchaser. "R" obtained a policy of theft insurance on the camera. Later the camera was stolen from "R" and sold to "S", an innocent purchaser. Is "Q" entitled to reclaim the camera from "S"? If so, why? If not, why not? "R's" insurance company refuses to pay "R" for the loss. Is the company's position sound? Explain fully. *(b)* "T", an agent of "U" in the sale of automobiles, was under a $10,000 fidelity bond. "U" learned that "T" had been receiving secret commissions from certain customers and threatened to discharge him. "U", motivated by "T's" entreaties, retained "T" upon the latter's promise to maintain good conduct. Three months later "T" absconded with "U's" funds, and "U" demanded reimbursement from the surety company under the bond. The surety company investigated and, upon learning of the foregoing facts, refused to pay. Is the surety company's refusal to pay justified in law? Explain the legal principle which determines your answer.

8. In July of 1946 "V", an insurance broker, became a party to three contracts: he obtained a five-year fire policy on his home; he agreed to conduct an insurance survey of a large industrial plant and to make appropriate recommendations concerning the insurance needs of the business, in return for which he was to receive a fee of $1,000; he agreed to buy a farm under an agreement of sale fixing a day of October next as the settlement date on which the deed of title was to be delivered and the price was to be paid in cash or by certified check. *(a)* With respect to each of these contracts, indicate whether the contract is or is not assignable by "V". State the controlling legal principle in each case. *(b)* Assume that "V" died in September, 1946, after having completed the survey of the industrial plant but before having determined the recommendations to be made concerning the insurance's business needs. Indicate, together with the legal reason applicable in each case, the effect of "V's" death on each of the contracts mentioned above.

9. Two boys, tiring of the supervised recreation at a summer camp, sought a place to play. In violation of the camp rules they went beyond the area to which they were restricted and discovered the foundation walls of an old partly-demolished barn. When they climbed upon one of the walls it collapsed, causing injury to each boy. It was found that the foundations had been weakened by the discharge of water over a period of several years from a drainpipe laid under the barn to a nearby creek. The drainpipe had broken at a point inside the walls. *(a)* If the barn is on his premises do you believe the camp operator is liable for these injuries? State specifically why or why not. *(b)* If the barn had been located on the premises of a neighboring farm, accessible to the boys only by climbing a high fence, do you think there would be any legal responsibility on: the camp operator? the owner of the neighboring farm? State fully the reasons for your answer in each case. *(c)* If the two boys had contracted polio (infantile paralysis) at the camp and action was taken against the operator for having failed to close the camp immediately upon an outbreak of this disease, do you think the camp's liability insurer would be within its rights in refusing to defend the case? Explain fully the reason for your answer and indicate the dangers to an insurer that adopts this course of action.

10. *(a)* A corporation engages in the following form of enterprise: In return for a specified fee it issues to automobile owners contracts which bind it to defend at its own cost all civil suits which may be brought against the contract holder for injuries caused by negligent operation of the car. The contracts do not, however, require the company to pay any portion of the damages which may be recovered against the car owner in such suits. Do you believe the Insurance Commissioner of the state should contend that the corporation is engaged in the insurance business and must comply with local statutory requirements regulating the insurance business? Explain fully and precisely why or why not. *(b)* Discuss the outstanding legal differences which, according to the view usually taken by the authorities, exist between life insurance contracts and property insurance contracts.

ACCOUNTING AND FINANCE

1. *(a)* "More and more agents are adopting the so-called 'Line-Folder' plan for their line records." Explain what is meant by the "Line-Folder" plan. Identify two other methods of keeping line records and compare their advantages with those claimed for the "Line-Folder." *(b)* Explain what is meant by the functional type of business organization and, with respect to its use in large general insurance agency offices, indicate with reasons whether or not it is: better than each of the other basic types; the most commonly used. Be specific.

2. During the past year "A's" insurance agency has written an unusually large volume of fire insurance policies with terms in excess of one year. However, "A" thinks this is a temporary situation and decides that when his books are closed on June 30 he will create a "Reserve for Commissions" account for the fire risks (except dwellings) that expire more than one year later. With the establishment of such a reserve he decides he no longer needs the account known as "Reserve for Bad Debts." *(a)* Show the journal entries necessary to make: the "Reserve for Commissions" account effective on June 30, 1947; a transfer on December 31, 1947, of the amount no longer needed in the "Reserve for Commissions" account. *(b)* Does the purpose of a "Re-

serve for Bad Debts" justify "A's" decision to abolish this account simultaneously with the establishment of the "Reserve for Commissions"? Explain. *(c)* Do you believe that the "Reserve for Commissions" would have any effect on the amount of "A's" Federal income tax? If so, why? If none, why not?

3-4. "Higher wages and inventory values have increased the need for working capital, but some corporate owners maintain the declining rate of return on invested capital encourages curtailment of operations rather than increased investment." *(a-b)* From the following financial facts about Corporation "B" determine for the year 1946 the rate of return on the capital invested as of January 1, 1946. Show your calculations in detail. (Balance sheet items except as noted are as of January 1, 1946; income statement items are for the period January 1-December 31, 1946):

Net sales	$750,000
Purchases for inventory	375,000
Inventory December 31, 1946	350,000
Wages	320,000
Inventory January 1, 1946	300,000
Notes payable	175,000
Earned surplus	150,000
Land and buildings	110,000
Capital stock	100,000
Machinery and equipment	60,000
Mortgage payable	50,000
Salaries and commissions	45,000
Accounts payable	40,000
Taxes paid	27,000
Accounts receivable	25,000
Cash	20,000
Advertising expense	2,500
Interest paid on mortgage	3,000

(c) From the above figures is there any evidence that Corporation "B" is in need of working capital? If so, what is it? If not, describe the additional information you would need to determine this fact. *(d-e)* Assuming that Corporation "B" decides to raise additional working capital, would you recommend the funds be obtained at the present time through: an issue of common stock, an issue of long term bonds, or bank loans? Justify fully the method you recommend. Your answer should include the reasons for rejecting the alternate methods, and also an explanation of the extent to which the prevailing money market conditions influenced your decision.

5. When "C" died in 1946 he willed all his worldly possessions to his wife. The principal item in the estate was his one-man unincorporated general insurance agency that he had conducted for many years in an industrial city of 150,000 population. Despite an average annual net income of $10,000 from the successful operation of the agency for ten years prior to death, "C's" estate had numerous financial problems, so his executor offered the agency for immediate sale. *(a)* With respect to "C's" agency business, what steps could he have taken during his lifetime to minimize the problems for his executor and his widow. ("C" was uninsurable for life insurance). *(b)* To what extent will the facts of the case as stated help a prospective buyer to determine a proper basis for making an offer for "C's" agency? Be specific. *(c)* What additional information should a prospective buyer seek? Indicate the significance of each item you mention.

6 The United States Department of Justice has been advised that it should check carefully the possibilities for violations of law resulting from the increase in the combinations of business firms. *(a)* For what principal reasons do business firms effect combinations? *(b)* Outline the distinguishing features of the several methods used by corporations to combine their businesses. *(c)* Illustrate the differences between vertical and horizontal combinations. Your answer should show clearly the type of problem each method is especially fitted to solve.

7. The Fidelity Bonding Company that covers "D's" employees says that one of the principal causes of loss is over-payment of obligations, and much of this could be prevented by the use of a voucher system. *(a)* Explain how a voucher system designed to prevent over-payment of obligations would operate as part of "D's" accounting procedure. Your answer should include a description of the records and accounts necessary to the effective functioning of the system. *(b)* Would a trial balance taken from "D's" records reveal whether or not a voucher system is in operation? State specifically why or why not. *(c)* In addition to preventing overpayment, what advantages should be obtained from the installation of a voucher system?

8. As a heavy and continuous borrower from commercial banks "A" is told he should watch excess bank reserves and bank liquidity, especially during a period such as the past eighteen months when commercial loans of the member banks of the Federal Reserve System increased nearly 50%. *(a)* Explain fully the meaning of the expression "excess bank reserves" and indicate, with reasons, whether or not a bank borrower should become alarmed if "excess reserves" decline to a very low figure. *(b)* Would the above mentioned increase in commercial loans have a tendency to cause excess bank reserves to increase or decrease? Explain the process that supports your conclusion.

9. "E" and his two sons own a small but rapidly growing manufacturing concern. Heretofore "E's" own capital has been sufficient to take care of all the financing, but rising inventory costs make it imperative for him to borrow funds, so he decides to seek a loan from a commercial bank. Since this is the first time he has resorted to bank borrowing he would like to know how to determine which of several banks he should approach, and what financial facts he would have to supply to it. *(a)* Advise "E" about the various features he should consider in selecting a bank for the above described purpose, and indicate the significance of each item you mention. *(b)* When he seeks the loan, what financial information about his manufacturing concern should he be prepared to furnish the bank? Explain briefly the significance of each item.

10. "F", aged thirty, has two dependents—a wife and one child, aged three. The corporation which employs him as a clerk announces that in lieu of a pension plan it will contribute monthly 5% of an employee's salary, toward the purchase of the common stock of the corporation at the prevailing market price, on the first of each month, providing the employee contributes a like sum. "F" already has personal financial problems and does not see how he can take advantage of this offer. *(a)* Describe briefly the causes of personal financial difficulties that are to a large extent within the control of the individual. *(b)* Outline the circumstances under which each of the several methods of making payments for family purchases might be regarded as appropriate. Give an illustration of the appropriate use of each method. *(c)* Assume "F" solves his financial troubles so that he can make the 5% contribution necessary to obtain the benefits of the above proposition. Before relying on the above described proposition as a substitute for a pension plan, what factors should "F" take into consideration? Indicate the significance of each factor you mention.

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277. JAPANESE MUTUALIZATION. Seven Japanese stock life insurance companies--Teikoku, Meiji, Yasuda, Nomura, Mitsui, Sumitomo, and Daido--plan reorganization as mutual carriers, according to information from the finance division of the allied commander's economic and scientific section in Japan. J. P. Royston, head of the money and banking branch of the finance division indicated that one motive for the planned change was to remove the "Zaibatsu" taint from such family-controlled carriers by democratic reorganization. "Establishment of these companies with proprietary interest by policyholders marks the first step in ending domination of the Japanese life insurance business by the few wealthy families," he explained.

278. FLEMING DIES. Reginald Fleming, 46, insurance manager of Stone & Webster Service Corporation, New York City, and former vice president of the insurance division of the American Management Association died recently at his home in Valley Cottage, New York. He was formerly associated with Marsh and McLennan, Inc., and the Commonwealth and Southern Corporation.

279. HEADS OFFICE WORKERS UNION. James H. Durkin, who has been serving as national representative attached to national insurance division of United Office and Professional Workers of America, CIO, has been elected president of the union.

280. APPROVES VENDING MACHINE POLICY. The Virginia Corporation Commission, pending action by the 1948 legislature, has tentatively agreed to permit Associated Aviation Underwriters to install some of its coin-operated devices at National Airport in northern Virginia. The automatic machine does not meet strict requirements of Virginia's insurance laws. The state tax department will levy a $25.00 license fee on each machine set up in Virginia but no decision has as yet been reached as to whether a $1,000 operator's fee will be imposed on Associated Aviation Underwriters.

281. KUECHLE REELECTED. B. E. Kuechle, vice president and claim manager of Employers Mutuals of Wausau, Wisconsin, has been re-elected as a director of the National Tuberculosis Association and a member of its executive committee.

282. PROTECTION OF RECORDS. Destruction of vital records causes an estimated 40 per cent of American concerns having complete fire losses to go out of business each year according to the National Fire Protection Association. Charging that too many U. S. businessmen are lulled into a sense of false security by being housed in so-called "fireproof" construction, the Committee on Protection of Records of the NFPA makes a strong plea for scientific protection of valuable papers in their recently issued pamphlet: "Protection of Records."

283. JOHN O. PLATT DIES. John O. Platt, 73, former president of the Insurance Company of North America died at his home in Paoli, Pennsylvania, on July 11. At the time of his death he was vice chairman of the board of the North America.

284. CONSTITUTION REINSURANCE NAMES IBSEN. Henri G. Ibsen, a member of the board of directors of the Constitution Reinsurance Corporation since the company's organization in 1940, has been elected president. He succeeds James Y. Milne, who died several months ago.

285. CLEMENT JOINS BROKERS ORGANIZATION. W. Winthrop Clement, former executive secretary of Risk Research Institute, Inc., on July 15 joined the National Association of Insurance Brokers as executive vice president.

286. KNIGHT HEADS A. & H. UNDERWRITERS. Gilbert H. Knight, Federal Life and Casualty Company, Cleveland, was elected president of the National Association of Accident and Health Underwriters at the organization's annual meeting in Boston. E. F. Gregory, Business Men's Assurance Company, Denver, Colorado, was named first vice president and Charles B. Stumpf, Illinois Mutual Casualty Company, Madison, Wisconsin, was elected second vice president.

287. HOMICIDE HELD ACCIDENTAL. The Michigan Supreme Court in a recent opinion held that homicide constitutes an "accident" from the standpoint of the victim and returned for a new trial a claim which was disallowed in Circuit Court. The action, brought by Mrs. Callinetta Hooper of Albion, widow of Warren G. Hooper, against the State Mutual Life Assurance Company, sought double indemnity on the $10,000 life policy of her murdered husband.

288. YORKSHIRE LICENSE. Insurance Commissioner Chas. F. J. Harrington of Massachusetts has refused to renew the license of the Yorkshire Insurance Company, Ltd., on the ground that the company has not complied with provisions of the Massachusetts law which requires a United States citizen to be United States manager of an alien company. The license of the Yorkshire, which was admitted to the state in 1911, expired on July 1, 1947.

289. NEBRASKA ASSISTANT DIRECTOR. Bernard Stone, Director of Insurance of Nebraska, has announced the appointment of Frank H. Landis, departmental attorney, as assistant director of insurance. He succeeds Donald Hodder, who recently left the department to join the Woodmen Accident Company of Lincoln, Nebraska, as assistant secretary.

290. NEW MUTUAL FIRE COMMITTEE. R. D. McDaniel, vice president, Grain Dealers National Mutual Fire Insurance Company, Indianapolis, Indiana, has been named chairman of the newly organized Fire Safety Committee of the Federation of Mutual Fire Insurance Companies, one of the constituent associations of the American Mutual Alliance. The purpose of the new organization is to stimulate the activity of mutual fire insurance in the development of technical and promotional data, and to cooperate with other organizations and industries in the preservation of life and property from fire. Special emphasis will be placed upon fire life safety. J. C. Stennett, director of engineering, American Mutual Alliance, Chicago, was named secretary.

291. NALU GROWTH. Membership of the National Association of Life Underwriters in the United States and Hawaii during the twelve months prior to June 30, increased from 45,241 to 50,025, it has been announced. The number of local associations, it is reported, increased from 450 to 495. This is the largest increase of local associations in NALU history.

292. L. W. BOWMAN DIES. L. W. Bowman, 55, vice president of the Employers Mutual Fire Insurance Company, Wausau, Wisconsin, died July 9 after an emergency operation. He had undergone surgery June 19 and

apparently was recovering satisfactorily when complications set in and made a second operation necessary. A native of Minnesota, he joined Employers Mutual Fire Insurance Company as assistant secretary and treasurer in 1937 and in 1940 became vice president. Previous to that he was associated with the Mill Mutuals, Minneapolis, for twelve years in charge of the companies' general business in the Northwest.

293. REJECTS COMPENSATION RATE FILINGS. The New York Insurance Department has disapproved two filings of the Compensation Insurance Rating Board of New York, calling for a 4% increase in workmen's compensation insurance rates, on the ground that the rating organization had not fully substantiated the increased rate requested, and the data submitted in support of the filing was considered to be inconclusive. The filings made were based on the estimated rise of the medical fee schedule and hospital charges in connection with workmen's compensation costs. As a result of the Department's action, the estimated costs presumably will be absorbed by the representative companies of the rating board.

294. KEMPER HEADS INTER-AMERICAN COUNCIL. James S. Kemper, chairman of the board of Lumbermens Mutual Casualty Company, Chicago, has been elected president of the Inter-American Council of Commerce and Production.

295. JUNE FIRE LOSS. Preliminary estimates of the National Board of Fire Underwriters place June, 1947, fire losses at $50,840,000, an increase of 14.9% over June, 1946. The total loss for the first six months of this year, an estimated $369,276,000, is greater than the amount for any single year from 1933 to 1942, inclusive. In addition, fire losses for the first six months of 1947 are up $71,970,000 or 23.6% over the corresponding period last year. Estimated fire losses by months:

	1946	1947
January	$49,808,000	$57,180,000
February	51,759,000	64,247,000
March	53,252,000	72,435,000
April	52,153,000	68,029,000
May	45,094,000	56,545,000
June	44,240,000	50,849,000
Total	$297,306,000	$369,276,000

296. DENDEL DIES. L. P. Dendel, assistant secretary Michigan Millers Mutual Fire Insurance Company, Lansing, Michigan, died at his home there July 9. He was longtime secretary of the Michigan State Association of Mutual Insurance Companies, and a director of the National Association of Mutual Insurance Companies.

297. GRAIN DEALERS CHAIRMAN. P. E. Goodrich, Winchester, Indiana, grain dealer, has been named chairman of the board of directors of Grain Dealers National Mutual Fire Insurance Company, Indianapolis, Indiana, to succeed Charles S. Clark, Chicago, who died recently.

298. NEW LIFE BUSINESS DOWN 2%. Life insurance purchases in the United States in June showed a decrease of 2% from purchases in the same month last year, according to the Life Insurance Agency Management Association. Total purchases in June were $1,829,937,000 compared with $1,863,485,000 in June of last year. In the first six months of 1947 total life purchases were $10,761,319,000, an increase of 3% from the first half of 1946. Purchases of ordinary life insurance accounted for $7,386,822,000 of the aggregate, a decline of 5% from the same period last year, industrial life insurance rose 7% to $2,142,589,000 and group life insurance was up 71% to $1,231,908,000.

299. DUEL REAPPOINTED. Appointment of Morvin Duel as Wisconsin State Insurance Commissioner for his third four-year term, effective July 1, has been confirmed by the State Senate. Mr. Duel, a former local agent at Fond du Lac, was a member of the 1939 Legislature and Republican Senate floor leader when first appointed Commissioner by former Governor Julius Heil.

300. CANADIAN FIRE LOSSES. Estimated Canadian fire losses for June, 1947, totaled $5,182,275 according to the Monetary Times, compared with $4,735,790 in the same month last year. Fire losses in Canada for the first half of 1947 were more than $2,000,000 in excess of the same period last year. The total was $34,535,360 against $32,199,245 in 1946.

301. JACOBS HEADS INSURANCE COMMITTEE. Carl N. Jacobs, president of the Hardware Mutual Casualty Company, Stevens Point, Wisconsin, has been named chairman of the insurance committee of the Chamber of Commerce of the United States. He succeeds W. E. McKell, president, New York Casualty Company, in the post. Mr. Jacobs is serving his seventh year as a member of the Chamber's board of directors. New members named to the insurance committee are: Kenneth C. Bell, vice president, Chase National Bank; Joseph F. Matthai, executive vice president, United States Fidelity and Guaranty Company; J. M. Sweitzer, general counsel, Employers Mutual Liability Insurance Company; and Farrar Newberry, president, Woodmen of the World Life Insurance Society.

302. D.C. RATING LEGISLATION. Further consideration of insurance rating legislation for the District of Columbia has been shelved until next year by the Senate District Committee as the result of postponement of action on a compromise rating bill passed by the House early in July.

303. HEMISPHERIC CONFERENCE PROCEEDINGS. The proceedings of the First Hemispheric Insurance Conference held in New York in May, 1946, under the sponsorship of the Chamber of Commerce of the United States and the Inter-American Council of Commerce and Production, have just been published.

304. CONTINENTAL CAPITAL STOCK INCREASE. The capital stock of the Continental Company, Chicago, will be increased from $5,000,000 to $6,000,000, by the issuance and sale of 100,000 shares of $10 par value capital stock. Shareholders of the company voted in favor of the proposal which had been submitted by the board of directors.

305. GROUP LIFE POLICIES INCREASE. A total of 46,950,000 group insurance and annuity policies were owned by workers in the United States at the close of 1946, according to a survey recently made public by the Life Insurance Association of America. This is an increase of 9,750,000 or 26% over the preceeding year. To maintain these policies, workers and employers paid a total of $917,000,000, an increase of $89,900,000 over 1945 payments. Group medical expense policies, the survey indicates, increased 47% in 1946, while group surgical expense policies rose 36%. Group hospital expense policies were up 33% and group debtors insurance certificates, covering installment loans including mortgages, increased 64%. The figures of the Association were based on a survey covering 127 United States and Canadian life insurance companies and 31 insurance companies which write group accident and health insurance.

306. KEYSTONE MUTUAL CASUALTY. Prosecution of A. J. O'Leary, vice president, N. P. Kann, secretary, and E. J. Kann, treasurer, of the defunct Keystone Mutual Casualty Company, Pittsburgh, was recommended by Insurance Commissioner, James F. Malone, Jr. of Pennsylvania on July 24 in connection with a financial statement filed with the Commonwealth for 1946. The recommendation was made in a registered letter to Artemas C. Leslie, Alleghany County district attorney. Commissioner Malone has testified that Keystone had a deficit of "at least 2,000,000." Malone was named stautory liquidator of the company on June 26, by the Dauphin County Court after an examination of the company's affairs by State insurance examiners. He contends that the annual statement filed with the Penn-

sylvania Department for the year 1946 by officers of Keystone Mutual Casualty Company contained serious discrepancies which in the opinion of the department, were wilful and deliberate on the part of the officers who signed and swore to the statement.

307. CANADIAN AGREEMENT. The agreement of guiding principles for handling cases involving overlapping coverages has been signed by a total of 180 companies according to reports of the Canadian Inland Underwriters Conference.

308. MORATORIUM EXTENSION. President Truman on July 25 signed S. 1508, a bill which amends Public Law 15 and extends to June 30, 1948, the moratorium against application to insurance of certain Federal laws. The measure was introduced in the United States Senate by Senator McCarran and Senator Wiley.

309. NEW MUTUAL ORGANIZED. The Friendly Service Mutual Fire Insurance Company has been organized in St. Louis, Missouri, to do a general mutual insurance business.

310. ADJOURN HEALTH BILL HEARINGS. The United States Senate on July 23 adjourned further hearings on two proposed health bills until Congress reconvenes in January. The measures under consideration were the Taft bill for a program of grants to states for medical aid, and the compulsory insurance measure sponsored by Senator Murray of Montana.

311. KEMPER FOUNDATION SCHOLARSHIPS. Three $2,800 scholarships in fire protection engineering to Illinois Institute of Technology have been awarded by the James S. Kemper Foundation to L. W. Kunkel and F. G. Zelewsky of Chicago, and W. G. Woodard, Omaha, Nebraska.

312. REFUNDS FOR RECIPROCAL SUBSCRIBERS. Refunds totaling more than $300,000 and representing 25% of the assessment levied on policyholders of the dissolved Keystone Indemnity Exchange, Philadelphia reciprocal, are being distributed to 13,000 former subscribers of the organization who paid assessments equal to 100% of premiums paid on policies for a period of five years prior to collapse of the reciprocal. A Dauphin County Court order authorized the refund and checks are being now mailed by the liquidation division of the Pennsylvania Insurance Department. State Insurance Commissioner James F. Malone, Jr., states that collections are continuing and additional refunds will be made to policyholders if and when warranted in the future.

313. SEEK ST. LOUIS TAX REHEARING. City Counsellor George L. Stemmler has filed with the clerk of the Missouri Supreme Court at Jefferson City, a motion for a rehearing of that court's opinion of June 9 which invalidated the St. Louis municipal income tax law. The high court's ruling, it is asserted, restricts the city's home rule powers in "direct contravention" of the state Constitution. Mayor Aloys P. Kaufmann revealed that the city administration is also considering the possibility of seeking state legislation which would authorize the city of St. Louis to levy and collect a municipal income and earnings tax of one-half of 1%.

314. PURCHASE BID DATE EXTENDED. The insurance division of the Office of International Trade has announced an extension from July 31 to September 15 of the date for submitting bids for the purchase of the Union Reinsurance Company. This German-owned insurance company, located at Zurich, Switzerland, is being offered for sale by the Swiss Compensation Office which supervises the disposition of German-owned assets in Switzerland. Bids are to be submitted to the Compensation Office.

315. COOPERATIVE MEDICAL PLAN Authority for cooperatives to set up and operate health and sickness plans is given under a bill passed by the Wisconsin legislature and recently signed by the governor. The measure permits members to build and operate their own hospitals and to contract with physicians and dentists for care of members. The bill, in its final form, was a compromise agreed to between the State Medical Society of Wisconsin and representatives of cooperative groups.

316. JUNE TRAFFIC DEATHS. Traffic deaths in the United States during June, 1947, were 2,490, an increase of 5% over June, 1946, according to the National Safety Council. A total of 14,480 traffic fatalities was reported for the first six months of 1947, a 9% decrease from the corresponding period last year. This decrease in deaths was made despite a travel upswing estimated a 11%. Traffic fatalities by months:

	1946	1947	Increase
January	2,950	2,420	-18%
February	2,630	2,160	-18%
March	2,840	2,360	-17%
April	2,540	2,340	- 8%
May	2,560	2,710	5%
June	2,370	2,490	5%
Ttotal	15,890	14,480	- 9%

317. SHANNON NAMED SECRETARY. S. J. Shannon has been named secretary and sales manager of the Iowa Hardware Mutual Casualty Company, effective August 1, 1947.

318. R. I. ASSIGNED RISK PLAN. Insurance Commissioner George A. Bisson of Rhode Island on July 30 announced adoption of a temporary assigned risk plan for automobile liability insurance in the state. The temporary plan, modeled after the Connecticut assigned risk plan, will remain in effect until a permanent plan is established for Rhode Island.

319. EARLE NAMED FOR FEDERAL POST. Hugh H. Earle, former insurance commisser of Oregon, has been nominated by President Truman to be Collector of Internal Revenue for Oregon.

320. CROP INSURANCE. A compromise federal crop insurance bill was enacted by Congress prior to final adjournment and the measure is now before President Truman for signature. The bill authorizes an experimental reinsurance program under which commercial companies insuring crops may reinsure in the Federal Crop Insurance Corporation.

321. AIRLINE FATALITIES INCREASE. Scheduled domestic airline fatalities for the first six months of 1947 more than doubled the total for the same period last year, according to a preliminary report just issued by the Civil Aeronautics Board. The report finds that 5.8 passengers died for every 100 million passenger miles flown. During 1946 the rate was 2.3 deaths. The report shows that 164 persons were killed during the first half of 1947, including 13 crew men.

322. STRIKE WAGE CLASSIFICATION. Wages paid employees who are not on strike but are unable to perform their normal duties because of a strike shall be assigned to the classification applicable to the work usually performed by such employees, except that, if the employees perform absolutely no work and are not present on the employer's premises the wages shall be assigned to the clerical office employees' classification, according to a ruling adopted by the Compensation Insurance Rating Board of New York.

323. NLRB DROPS MASS. BONDING CASE. A petition for certification of representation filed by the United Office & Professional Workers of America, C.I.O., in the case of Massachusetts Bonding Company, has been dismissed by the National Labor Relations Board. This action followed a recent election among clerical and slaried employees of the company in which 185 votes were cast in favor of the union and 381 were against it.

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